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November 17, 2008

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CLIENT/MATTER NUMBER
068003-0108

VIA OVERNIGHT DELIVERY

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

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

Dear Mr. Pastuch:

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

Introduction

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

Upon completion of the Transaction, DRC will continue to indirectly own 100% of the issued and outstanding shares of stock of the Domestic Insurer, and Trinity will own 100% of the issued and outstanding shares of stock of DRC. Thus, Trinity will indirectly own and control the Domestic Insurer by virtue of its ownership of 100% of DRC's stock. Following the consummation of the Transaction, Unitrin, Inc. ("Unitrin") will be the ultimate controlling person of, and will thus

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indirectly control, the Domestic Insurer by virtue of its ownership and control of Trinity. Unitrin is a diversified financial services company with subsidiaries engaged in the property and casualty insurance, life and health insurance and automobile finance businesses. The only business of Unitrin is holding, directly or indirectly, the issued and outstanding common stock of its subsidiaries and marketable securities.

The Stock Purchase Agreement

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

- At the closing of the Transaction, Trinity will acquire 266,460.58350 shares of common stock of DRC, representing all of the issued and outstanding stock of DRC (collectively, the "Shares"), and thereby acquire control of the Domestic Insurer.
- As consideration for the Shares, Trinity will pay to the Selling Shareholders an aggregate cash purchase price of Two Hundred Twenty Million Dollars (\$220,000,000) (the "Base Price"), plus or minus, as the case may be, certain adjustments relating to (i) the after-tax appreciation/depreciation of the securities portfolio owned by DRC and its subsidiaries, and (ii) the consolidated GAAP net after-tax income or loss of DRC and its subsidiaries for the period from January 1, 2008 through the Base Date (as that term is defined in the Agreement) (collectively, and as adjusted, the "Purchase Price").
- At closing, Trinity will pay the Purchase Price to the Selling Shareholders less (i) a Fifteen Million Dollar (\$15,000,000) holdback which will be deposited into an escrow account as security for the Selling Shareholders' post-closing indemnification obligations, as well as Trinity's rights under the Agreement to be compensated for potential adverse reserve development (see the next bullet point below), and (ii) the consideration required for cancellation and termination of certain individual stock option agreements and the stock options granted thereunder pursuant to DRC's 2004 Management Equity Plan.
- To the extent there is favorable or adverse development reflected in the Closing Date Reserves (as that term is defined in Annex G of the Agreement) that exceeds One Million Dollars (\$1,000,000), Trinity agrees to pay the Selling Shareholders 75% of any such favorable development, and the Selling Shareholders agree to pay Trinity 75% of any such adverse development out of the escrow account, as the case may be, and in each case up to a maximum payment of Fifteen Million Dollars (\$15,000,000).

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

Nature, Source and Amount of Consideration

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

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

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

Trinity is a wholly-owned subsidiary of Unitrin and is a member of Unitrin's Property and Casualty Insurance Group (the "Group"). The Group currently consists, for A.M. Best rating purposes, of nineteen (19) property and casualty insurance companies and is ranked as the forty-second (42nd) largest property and casualty group and the twenty-second (22nd) largest automobile insurance writer in the United States when measured using 2007 net premiums written. Trinity is the

lead company in the Group. For 2008, A.M. Best has assigned the Group a Financial Strength Rating ("FSR") of A (*Excellent*) and an Issuer Credit Rating of a (*Investment Grade – Strong*), both of which are stable. Standard & Poor has assigned the Group a FSR of A and a Counterparty Credit Rating of A, both of which are on a negative watch. The Moody's Investors Service rating assigned to Trinity Universal Insurance Company consists of a FSR of A2, which is stable.

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

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

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

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

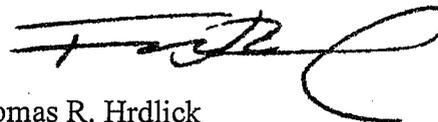
Trinity does not anticipate making any changes to the present executive officers of the Domestic Insurer in connection with the closing of the Transaction. Trinity has not, however, made any formal commitments of any nature to any present officers of the Domestic Insurer. Moreover, in connection with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

Transaction's Effect on Competition in Washington

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

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

Very truly yours,



Thomas R. Hrdlick

Enclosure

cc: Samuel L. Fitzpatrick