



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

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In the Matter Of:

PROPOSED ACQUISITION OF CONTROL OF:
CONNECTICUT LIFE AND CASUALTY INSURANCE COMPANY,
RESPONSE INSURANCE COMPANY,
RESPONSE WORLDWIDE INSURANCE
COMPANY, RESPOND WORLDWIDE DIRECT AUTO
INSURANCE COMPANY, and WARNER INSURANCE
COMPANY, Connecticut domiciled insurance companies

By
UNITRIN, INC., a Delaware corporation and
TRINITY UNIVERSAL INSURANCE COMPANY, a
Texas domiciled stock insurance corporation

Docket No. EX08-98

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ORDER

I, Thomas R. Sullivan, Insurance Commissioner of the State of Connecticut, having read the record of the above captioned matter, do hereby adopt the findings and recommendations of Kathy Belfi, Hearing Officer, which are contained in the attached Proposed Final Decision dated December 12, 2008 and issue the following orders,

TO WIT:

1. The Form A Application of the Applicants in which they seek approval to acquire control of Domestic Insurers be approved.
2. The Applicants and Domestic Insurers shall comply with their commitments as set forth in the Proposed Final Decision.
3. The Applicants shall provide the Insurance Department with written confirmation of the consummation of the acquisition of control by the end of the month the acquisition of control takes place.

4. For a period of two (2) years, the Applicants shall file semiannually with the Insurance Department, commencing six months from consummation of the transaction, a report under oath of its business operations in Connecticut, including but not limited to, any change to the business of the Domestic Insurers; employment levels; changes in offices of the Domestic Insurers; any changes in location of its operations in Connecticut; charitable contributions made to Connecticut entities; and, notice of any statutory compliance or regulatory actions taken by other state regulatory authorities against the Applicants and the Domestic Insurers.

5. The Applicants should provide the Department with the names and titles of those individuals who will be responsible for filing an amended Insurance Holding Company System Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.

6. Within thirty (30) days following the end of the month in which the Proposed Acquisition is consummated, the Domestic Insurers shall file a request for a waiver of the requirements of section 38a-136(i) of the Connecticut General Statutes.

7. Within fifteen (15) days following the end of the month in which the Proposed Acquisition is consummated, the Domestic Insurers shall file an amended Insurance Holding Company System Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.

8. If the Proposed Acquisition is not consummated within three (3) months of the date of this Order and the Applicant intends to consummate the Proposed Acquisition, the Applicants shall submit to the Commissioner a statement, which shall include (1) the reason for the Applicants' inability to consummate the Proposed Acquisition; (2) any material changes in the information contained in the Form A Application; and (3) the current financial statements of the Applicants and the Domestic Insurers.

9. The Domestic Insurers shall, at all times, maintain their books, records and assets in Connecticut pursuant to Connecticut Law unless otherwise approved by the Commissioner.

10. Within two (2) years following the closing of the acquisition, Unitrin will file applications with the Department seeking its approval of the redomestication of at least two (2) of the Domestic Insurers to a state or states to be determined.

11. The Applicants shall pay expenses incurred by the Insurance Commissioner in connection with the Insurance Department's review of the captioned transaction pursuant to sections 38a-132(a)(3) and 38a-132(c) of the Connecticut General Statutes.

Dated at Hartford, Connecticut, this 12 day of December, 2008

A handwritten signature in black ink, appearing to read "Thomas R. Sullivan", written over a horizontal line.

Thomas R. Sullivan
Insurance Commissioner



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PROPOSED DECISION

I. INTRODUCTION

On September 19, 2008, Trinity Universal Insurance Company (“Trinity” or the “Applicant”), filed an Application on Form A (“Application”) with the Connecticut Insurance Department (“Department”) pursuant to sections 38a-129 to 38a-140 of the Connecticut General Statutes requesting approval by the Insurance Commissioner of the State of Connecticut (“Commissioner” or “Insurance Commissioner”) for the Proposed Acquisition of Control (the “Proposed Acquisition”) of Connecticut Life & Casualty Insurance Company (“CLCIC”), Response Insurance Company (“Response Insurance”), Response Worldwide Direct Auto Insurance Company (“Response Worldwide Direct”), Response Worldwide Insurance Company (“Response Worldwide”), and Warner Insurance Company (“Warner” and collectively as “Direct Response” or the “Domestic Insurers”), all Connecticut domestic insurers.

Supplemental information was subsequently requested by the Department and provided by the Applicant. An amended Form A was filed with the Department on November 13, 2008. On November 13, 2008, Trinity amended the Application to include Unitrin Inc. (“Unitrin” and collectively with Trinity, “Applicants”) as an Applicant. The Amended Form A amends and restates in its entirety the original Form A text and also includes certain new and revised exhibits.

The Proposed Acquisition will be effected pursuant to the terms of a Stock Purchase Agreement (“Agreement”) dated as of August 29, 2008, among Trinity, James M. Stone (“Stone”), The Plymouth Rock Company Incorporated (“PRC”), Mory Katz (“Katz”), Morgan Stanley Capital Partners III, L.P., MSCP III 892 Investors, L.P., Morgan Stanley Capital Investors, L.P., D.R. Investors, L.P. and DR Investors II, L.P. (collectively “MetalMark” and with Stone, PRC, Katz, the “Selling Shareholders”).

On November 21, 2008, Insurance Commissioner Thomas R. Sullivan (“Commissioner”) issued a notice of hearing, in which he ordered that a public hearing concerning the application for approval of the Proposed Acquisition of Control of the Domestic Insurers be held on December 10, 2008. The hearing notice was subsequently published in the *Hartford Courant*, and *New Haven Register* once a week for two consecutive weeks. The notice of hearing was also filed by the Department with the Office of the Secretary of State on November 21, 2008 and was published on the Department's Internet website. In accordance with section 38a-8-48 of the Regulations of the Connecticut State Agencies, the Applicants and Domestic Insurers were designated as parties to this proceeding.

On December 1, 2008, On December 1, 2008, Connecticut Life & Casualty Insurance Company merged into Response Worldwide Insurance Company.

The following individuals participated in and/or testified at the public hearing on behalf of the Applicants and the Domestic Insurer:

James A. Schulte, President, Trinity Universal Insurance Company, David F. Bengston, Vice President, Unitrin, Inc., Richard Roeske, Vice President and Chief Accounting Officer,

Unitrin, Inc. and Treasurer, Trinity Universal Insurance Company, Timothy Bruns, Executive Vice President, Unitrin Direct, Scott Renwick, Senior Vice President, Secretary and General Counsel, Unitrin, Inc., and Samuel Fitzpatrick, Associate General Counsel, Unitrin, Inc. and Secretary of Trinity Universal Insurance Company appeared for the Applicants.

Thomas R. Hrdlick, Esq., Foley & Lardner LLP, and Kathleen D. Monnes, Esq., Day Pitney, LLP, represented the Applicants.

The following Department staff participated in the public hearing:

Beth Cook, Esq., Counsel, and Joan Nakano, Insurance Supervising Examiner.

Pursuant to the published hearing notice, the public was given an opportunity to speak at the hearing or to submit written comments no later than the close of business on December 8, 2008, by an Order dated November 21, 2008. No public officials or members of the public signed up to speak, spoke at the hearing, or submitted written testimony.

II. FINDINGS OF FACT

After reviewing the exhibits entered into the record of this proceeding, and based on the testimony of the witnesses, the undersigned makes the following findings of fact:

1. Unitrin is an Illinois based, publicly held insurance holding company.
2. Unitrin is a diversified financial services company with subsidiaries engaged in the property and casualty insurance, life and health insurance and automobile finance businesses.
3. Unitrin's main administrative office address is One East Wacker Drive, Chicago, Illinois 60601.
4. Trinity is a property and casualty insurance company domiciled in Texas.
5. Trinity's main administrative office address is 12926 Gran Bay Parkway West, Jacksonville, Florida 32258.
6. Trinity is a wholly-owned subsidiary of Unitrin and is the lead company member of Unitrin's Property and Casualty Insurance Group ("Group").
7. The Group currently consists, for A.M. Best rating purposes, of nineteen property and casualty insurance companies and is ranked as the forty-second largest property and casualty

group and the twenty-second largest automobile insurance writer in the United States when measured using 2007 net premiums.

8. The Group has been rated as follows:

A.M. Best	Financial Strength Rating = A (stable)	Long-term Issuer Credit Rating = a (stable)
Standard & Poor	Financial Strength Rating = A (negative watch)	Counterparty Credit Rating = A (negative watch)
Moody's (assigned to Trinity)	Financial Strength Rating = A2 (stable)	

9. From a public reporting, branding and management standpoint, Unitrin has organized its property and casualty insurance operations into four distinct segments which are Kemper, Unitrin Specialty, Unitrin Direct and the property insurance business of Unitrin's Life and Health Insurance Segment.
10. Trinity intends for the Domestic Insurers to become part of the Unitrin Direct segment if the Proposed Acquisition is approved.
11. 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, personal homeowners, renters and condo insurance in selected markets.
12. Unitrin Direct businesses write insurance primarily through direct mail, web insurance portals, its web site and other various forms of advertising. One subsidiary specializes in the sale of personal automobile and homeowners insurance through employer-sponsored voluntary benefit programs and affinity relationships.
13. Each of the Domestic Insurers is an insurance company that is a wholly-owned subsidiary of Direct Response Corporation ("DRC"), a privately held Delaware general business corporation.
14. The principal business addresses of the Domestic Insurers are 500 South Broad Street, Meriden, CT 06450.

15. DRC has approximately 435 total employees located in Meriden, CT and three other locations in St. Louis, Missouri, Melville, New York and Bellevue, Washington.
16. The Domestic Insurers offer property and casualty products, focusing on low cost auto insurance marketed principally on a direct to the consumer basis.
17. The Domestic Insurers have been assigned a financial strength rating of B++ and a long-term issuer credit rating of bbb from A.M. Best for 2008.
18. As of September 30, 2008, the Domestic Insurers reported the following statutory balance sheet accounts:

As of September 2007	Connecticut Life & Casualty Insurance Company	Response Insurance Company	Response Worldwide Direct Auto Insurance Company	Response Worldwide Insurance Company	Warner Insurance Company
Assets	25,427,754	78,389,578	46,481,906	64,164,594	28,646,292
Liabilities	17,850,375	25,225,178	33,580,233	46,236,977	9,172,582
Capital and Surplus	7,577,379	53,164,400	12,901,673	17,927,618	19,473,710
Net Income (Loss)	(1,153,053)	2,867,587	(2,501,815)	(4,135,221)	(432,282)
Premium Earned	13,542,606	16,928,248	24,828,110	36,113,615	6,771,301

19. Control of the Domestic Insurers will be acquired pursuant to the terms of a Stock Purchase Agreement (“Agreement”) dated as of August 29, 2008, among Trinity and the Selling Shareholders.
20. Trinity will pay to the Selling Shareholders an aggregate base price of \$220,000,000 in cash, plus or minus, subject to certain adjustments relating to the after-tax appreciation or depreciation of the securities portfolio owned by DRC and its subsidiaries, and 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.

21. The purchase price will be paid from Trinity's internal resources. Trinity does not anticipate borrowing any funds to pay the purchase price.
22. The biographical affidavits of the members of the board of directors and officers of the Applicants, which include the individual's educational background, professional credentials, and employment history, are included in the record and the files of the Insurance Department.
23. After the Proposed Acquisition, the Boards of Directors ("Board") of the Domestic Insurers will be:
 - David F. Bengsteen
 - John M. Boschelli
 - Eric J. Draut
 - Samuel L. Fitzpatrick
 - Edward J. Konar
 - Richard Roeske
 - James A. Schulte
 - Donald G. Southwell
24. After the Proposed Acquisition, the Applicants do not anticipate making any changes to the present executive officers of the Domestic Insurers.
25. Following the Closing, the Domestic Insurers will continue to maintain their separate corporate existence.
26. The Applicants plans for DRC for the first year following the Proposed Acquisition would be to stabilize the business, maintain needed human resources through the transition period, integrating systems and evaluating redundant staffing areas.
27. It is anticipated there would be staffing reductions from both the existing Unitrin Direct business segment and DRC with the plan to absorb attrition and maintain approximately 75% of the current levels in the Meriden, Connecticut office for the foreseeable future.

28. In the second year following the closing of the Proposed Acquisition, the objective would be to stabilize revenue and achieve profitability.
29. The Domestic Insurers will maintain their current licenses and write business in the states they currently serve.
30. In connection with requesting the Department's approval of the pending Amended and Restated Form A Statement, and the Department's subsequent approval of 100% quota share reinsurance agreements between Trinity and the Domestic Insurers, Mr. Bengston and Mr. Shulte testified that Unitrin would commit that, within two (2) years following the closing of the acquisition, Unitrin would file applications with the Department seeking its approval of the redomestication of at least two (2) of the Domestic Insurers to a state or states to be determined.
31. The Domestic Insurers' executive offices and headquarters will remain in Connecticut.
32. The Domestic Insurers' books and records will continue to be maintained in Connecticut.
33. Three years of statutory financial projections for the Domestic Insurers are included in the records and files of the Insurance Department.
34. Other than as disclosed in the Amended Form A, the Applicants have no present plans or proposal to cause the Domestic Insurers to declare an extraordinary dividend or make other distributions, liquidate the domestic insurer, sell the Domestic Insurers' assets, merge or consolidate the Domestic Insurers with any person or persons, make any other material change in the Domestic Insurance business operations or corporate structure or management, or cause the Domestic Insurer to enter into material contracts.
35. Neither the Applicants nor any person controlling, controlled by or under common control with the Applicants or any person listed as a director or executive officer beneficially owns or has, directly or indirectly a right to acquire beneficially any voting securities of any of the entities of the Domestic Insurers or any securities convertible into or evidencing a right to

acquire any such voting securities whether or not such right of conversion or acquisition is exercisable immediately or at some future time.

36. There are no contracts, arrangements, or understandings, whether oral or in writing relating, directly or indirectly, to any voting securities of the entities comprising the Domestic Insurers or any securities convertible into or evidencing a right to acquire any such voting securities whether or not such right of conversion or acquisition is exercisable immediately or at any future time involving Applicants, or any other person listed as director or executive officer.
37. There have been no purchases, directly or indirectly, of any voting securities of the entities comprising the Domestic Insurers by the Applicants, any person controlling, controlled by or under common control with the Applicant or any other person listed as directors or executive officer during the 12 calendar month preceding the filing of the amended Form A.
38. There have been no recommendations to purchase, directly or indirectly, any voting security of the entities comprising the Domestic Insurers made by the Applicants, any person controlling, controlled by or under common control with the Applicants or any person listed as director or executive officer, or by anyone based upon interviews or at the suggestion of the Applicants, any person controlling, controlled by or under common control with the Applicants or any person listed as director or executive officer during the 12 calendar months preceding the filing of the Amended Form A.
39. The Proposed Affiliation will not substantially lessen competition of insurance in the State of Connecticut or tend to create a monopoly therein.
40. Unitrin filed on September 17, 2008 the Notification and Request Form for Certain Mergers and Acquisitions as required by the Hart-Scott-Rodino Anti-Trust Improvements Act of 1976 with the Federal Trade Commission (“FTC”) and the Department of Justice (“DOJ”). On September 26, 2008, the FTC granted early termination of the 30-day waiting period.

III. DISCUSSION

Section 38a-132(b) of the Connecticut General Statutes specifically requires the approval of the proposed acquisition of control of the Domestic Insurers unless it is determined that:

- (A) After the change of control, the Domestic Insurers would not be able to satisfy the requirements for the issuance of licenses to write the lines of business for which they are presently licensed;
- (B) The effect of the merger or other acquisition of control would be to substantially lessen competition of insurance in this state or tend to create a monopoly in Connecticut;
- (C) The financial condition of the acquiring party is such as might jeopardize the financial stability of the Domestic Insurers or prejudice the interest of its policyholders;
- (D) The plans or proposals which the acquiring party has to liquidate the Domestic Insurers, sell its assets or consolidate or merge it with any person, or make any other material change in its business or corporate structure or management, are unfair and unreasonable to policyholders of the Domestic Insurers and not in the public interest;
- (E) The competence, experience and integrity of those persons who would control the operations of the Domestic Insurers are such that it would not be in the interest of the policyholders of the Domestic Insurers and of the public to permit the merger or other acquisition of control; or
- (F) The acquisition of control of the Domestic Insurers is likely to be hazardous or prejudicial to those buying insurance.

A. The ability of the Domestic Insurers to satisfy the requirements for the issuance of a license to write the lines of business for which they are presently licensed following the proposed acquisition of control.

The Domestic Insurers are domestic insurance companies currently licensed pursuant to section 38a-41 of the Connecticut General Statutes for various property and casualty lines of business. Section 38a-72 of the Connecticut General Statutes requires that a domestic stock

property-casualty insurance company must have a minimum of \$2,000,000 in capital and \$2,000,000 in paid-in surplus in the aggregate.

The Domestic Insurers currently satisfy the requirements for the issuance of a license to write the lines of business for which they are licensed.

As noted in the finding of fact, following consummation of the Proposed Affiliation, the Applicants have no plans or proposals to liquidate the Domestic Insurers, to sell their assets, merge or consolidate the Domestic Insurers with any other person or entity. There are no plans for the Domestic Insurers to enter into any material contract, agreement, arrangement or transaction of any kind with any person or entity.

B. Whether the effect of the merger would be to substantially lessen competition of insurance in this state or tend to create a monopoly herein.

There was no finding that the Proposed Affiliation by the Applicants of the Domestic Insurers would substantially lessen competition or create a monopoly.

C. Whether the financial condition of the Applicant is such as might jeopardize the financial stability of the Domestic Insurer or prejudice the interest of their policyholders.

Substantial evidence contained in the Form A Application and the supplemental information submitted to the Department indicates that the financial condition of the Applicants will not jeopardize the financial condition of the Domestic Insurers following the Proposed Acquisition.

D. Whether the plans or proposals which the Applicant has to liquidate the Domestic Insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable to policyholders of the Domestic Insurer and not in the public interest.

The record reveals that the Applicants have no current plans or proposals to liquidate the Domestic Insurers, to sell their assets, or consolidate or merge them with any other entity.

The Applicant has no present intention to materially alter the plans of the Domestic Insurers regarding its current product offerings or plan of operations.

Accordingly, the record supports the conclusion that there are no material plans or proposals for the Domestic Insurers that are unfair and unreasonable to policyholders of the Domestic Insurers or not in the public interest.

E. Whether the competence, experience and integrity of those persons who would control the operations of the Domestic Insurer are such that it would not be in the interest of the Policyholders of the Domestic Insurer and the public to permit the merger or other acquisition of control

The record includes the biographical affidavits of those individuals who will serve as members of the boards and as officers of the Applicants and the Domestic Insurers following the change of control. The biographical affidavits disclose each individual's educational background, professional credentials and their employment history. In addition, the Applicants have represented, and the biographical affidavits confirm, that during the last ten years none of the proposed directors or officers of the Applicants and Domestic Insurers have been convicted in a criminal proceeding (excluding minor traffic violations) or have been convicted or otherwise penalized for violating any federal or state law regulating the business of insurance, securities or banking, (or in the case of an alien person, such equivalent provision as applicable). During the last ten years, none of the proposed directors or officers of the Applicants have been subject of any proceeding under the Federal Bankruptcy Code, (or in the case of an alien person, such equivalent provision as applicable) or have been affiliated with a business or organization which has subject to such proceeding.

Furthermore, no proposed director or officer of the Applicants or the Domestic Insurers has had a revocation, suspension or disciplinary sanction imposed against him or her by a governmental agency. None of the filed biographical affidavits contain any information that reflects negatively on the integrity of these individuals. The competence, experience, and integrity of those persons who would control the operations of the Domestic Insurers after the

Proposed Acquisition is such that it would be in the interest of policyholders of the Domestic Insurers, and in the public interest, to permit the Proposed Acquisition.

F. Whether the acquisition is likely to be hazardous or prejudicial to those buying insurance.

Based on the financial strength of the Applicants, the affirmation that the current plans for the Domestic Insurers will not disrupt the Applicants' or the Domestic Insurers' current policyholders, as well as provision of a strong and stable financial environment for the Domestic Insurers, is not likely to be hazardous to those buying insurance.

Accordingly, assuming compliance with all Connecticut's insurance statutes and regulations, it is reasonable to conclude that the Proposed Acquisition of control of the Domestic Insurers is not likely to be hazardous to those buying insurance.

IV. RECOMMENDATION

Accordingly, based on the foregoing findings of fact and discussion, the record of the December 10, 2008 public hearing, and the recommendation of the Insurance Department staff, the undersigned concludes that the Applicants have satisfied the statutory criteria as provided in section 38a-132(b) of the Connecticut General Statutes. Accordingly, the undersigned recommends that the Insurance Commissioner find, pursuant to section 38a-132(b) of the Connecticut General Statutes that after the Proposed Acquisition of control (a) the Domestic Insurers will be able to satisfy the requirements for the issuance of a license; (b) the effect of the acquisition of control will not substantially lessen competition in this state or tend to create a monopoly therein; (c) the financial condition of the Applicants is not such as might jeopardize the financial stability of the Domestic Insurers or prejudice the interest of their policyholders; (d) the plans or proposals for the Domestic Insurers, are not unfair and unreasonable to their policyholders, and are in the public interest; (e) the competence, experience and integrity of the management of the Applicants is such that it would be in the interest of policyholders of the

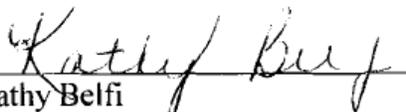
Domestic Insurers, and of the public to permit the Proposed Acquisition of control; and (f) the acquisition of control of the Domestic Insurers is not likely to be hazardous or prejudicial to those buying insurance.

Accordingly, the undersigned recommends the following orders:

1. The Form A Application of the Applicants in which they seek approval to acquire control of Domestic Insurers be approved.
2. The Applicants and Domestic Insurers shall comply with their commitments as set forth in the Proposed Final Decision.
3. The Applicants shall provide the Insurance Department with written confirmation of the consummation of the acquisition of control by the end of the month the acquisition of control takes place.
4. For a period of two (2) years, the Applicants shall file semiannually with the Insurance Department, commencing six months from consummation of the transaction, a report under oath of its business operations in Connecticut, including but not limited to, any change to the business of the Domestic Insurers; employment levels; changes in offices of the Domestic Insurers; any changes in location of its operations in Connecticut; charitable contributions made to Connecticut entities; and, notice of any statutory compliance or regulatory actions taken by other state regulatory authorities against the Applicants and the Domestic Insurers.
5. The Applicants should provide the Department with the names and titles of those individuals who will be responsible for filing an amended Insurance Holding Company System Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.
6. Within thirty (30) days following the end of the month in which the Proposed Acquisition is consummated, the Domestic Insurers shall file a request for a waiver of the requirements of section 38a-136(i) of the Connecticut General Statutes.

7. Within fifteen (15) days following the end of the month in which the Proposed Acquisition is consummated, the Domestic Insurers shall file an amended Insurance Holding Company System Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.
8. If the Proposed Acquisition is not consummated within three (3) months of the date of this Order and the Applicant intends to consummate the Proposed Acquisition, the Applicants shall submit to the Commissioner a statement, which shall include (1) the reason for the Applicants' inability to consummate the Proposed Acquisition; (2) any material changes in the information contained in the Form A Application; and (3) the current financial statements of the Applicants and the Domestic Insurers.
9. The Domestic Insurers shall, at all times, maintain their books, records and assets in Connecticut pursuant to Connecticut Law unless otherwise approved by the Commissioner.
10. Within two (2) years following the closing of the acquisition, Unitrin will file applications with the Department seeking its approval of the redomestication of at least two (2) of the Domestic Insurers to a state or states to be determined.
11. The Applicants shall pay expenses incurred by the Insurance Commissioner in connection with the Insurance Department's review of the captioned transaction pursuant to sections 38a-132(a)(3) and 38a-132(c) of the Connecticut General Statutes.

Dated at Hartford, Connecticut, this 12th day of December, 2008



Kathy Belfi
Hearing Officer