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March 26, 2001

Via Federal Express

Michael Verne, Esq.
Federal Trade Commission
Bureau of Competition
Premerger Notification
600 Pennsylvania Avenue, N.W.
Washington, DC 20580

Re: Hart Scott Rodino

Dear Mr. Verne:

As you may recall, I spoke with you on the telephone on Friday, March 23, 2001 concerning a request for an interpretation of a provision of the Hart-Scott-Rodino Antitrust Improvements Act. My specific question was whether the contemplated transaction qualifies for an exemption under §18a(c)(9). You answered that you believed that the exemption would apply but that it would be worthwhile for me to set out the facts in this letter.

The acquiring company "A" is a mutual insurance company. With its affiliates, it primarily underwrites and sells property and casualty insurance with a significant emphasis on automobile coverage. It's total insurance premiums during 2000 were in excess of $37.5 billion of which 92% was property and casualty insurance. A and its affiliates' assets as of December 31, 2000 were in excess of approximately $119 billion. A, through its affiliates, also sells life insurance and annuity products. These products accounted for 8% of its insurance premiums. Finally, A has other financial industry interests including a bank and number of mutual funds included in the figures listed above.

B is presently a mutual insurance company in the process of demutualizing and becoming a publicly traded concern. B is primarily in the business of underwriting and selling life insurance and annuity products. B's total revenues from premiums, investment fees and income and investment gains during the first nine months of 2000 were approximately $2.3 billion, of which approximately 73% were life and annuity products. B's assets as of September 30, 2000 were in excess of $ 21 billion.

[redacted] anticipates that it will reach an agreement to market and sell B's life and annuity products through one of its subsidiaries and to utilize B's wealth management services for A's customers. A has also expressed an indication of interest in acquiring voting shares that will be issued by B in connection with a planned IPO. In that transaction, approximately 2/3 of B's stock will be issued to its policy holders. The remaining shares will be offered in the IPO. The value of stock that would be acquired by A would be in excess of $50 million but no greater than $150 million (depending on the price range and if B's underwriters exercise their over allotment option) out of a total market capitalization ranging from approximately $1.75 billion to in excess of $2.5 billion. A's ownership interest in B's voting securities will not exceed 4.9 percent.

A does not intend to be involved in the management of B. A will not have a seat on B's board of directors but will be entitled to "observer" status for certain board meetings. A has no present intention to increase its holdings in B and has no right to convert its board status from observer to member.

We understand that the size of the proposed transaction meets the requirements for a preacquisition notification under H-S-R. However, it appears equally persuasive that the transaction fits within the "investment" exception of §18a(c)(9). A will own far less than 10 per cent of the outstanding voting securities of the issuer. The acquisition is being made "solely for the purpose of investment," and not for control. A will have no role in the management of B and will not be in a position to direct B's affairs.

We therefore respectfully submit that no notification is necessary for the proposed transaction. Please advise us if you concur that the transaction may move forward without notification. We are prepared to provide the staff with any additional information that it may require.

Very truly yours,

[redacted]

A & B ARE NOT DIRECT COMPETITORS. A VENDOR-VENDEE TYPE RELATIONSHIP DOES NOT PRECLUDE THE USE OF THIS EXEMPTION. A APPEARS TO MEET THE OTHER REQUIREMENTS OF THE EXEMPTION.

[redacted]

Michael Verne
3/28/01