7A(c)(1)

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[redacted]

June 8, 2009

VIA E-MAIL

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

Re: Hart-Scott-Rodino Informal Interpretation

Dear Mike:

Thank you for taking the time to speak with [redacted] and me last week regarding our Hart-Scott interpretation question. I am writing to memorialize our understanding of our conversation. As you may recall, we presented you with the following scenario:

> The proposed transaction involves two insurance companies, A and B. The transaction is designed to transfer to A the "renewal rights" to sign new insurance policies with certain insureds of B when their existing policies with B expire. The transaction would be implemented through the acquisition by A of the untraded voting securities of certain insurance subsidiaries of B, pursuant to an acquisition agreement with the following material features:
>
> **1. Existing "Run-Off" Insurance Policies of B's Acquired Subsidiaries.** B would continue to operate the current run-off insurance business of the subsidiaries acquired by A. While A would be the nominal owner of the business by virtue of having acquired the subsidiaries, the acquisition agreement would allocate the existing net equity and other economics to B, such that B would effectively retain all profits and losses of the existing runoff business, and this existing business would therefore have a value to A of essentially zero. The insurance subsidiaries to be acquired by A would also contain certain contract rights and other incidental assets that will have a small positive value. A will take these into account in making all value determinations.
>
> **2. Renewal Rights.** The agreement would provide that following the acquisition B would commit to exercise its best efforts to encourage its insureds

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to renew their insurance policies with A as their policies with B expire ("renewal rights"). (The insureds would have no obligation to sign contracts with A.) In connection with the renewal rights, A also would get the opportunity, but not the obligation, to hire certain employees of B. In addition, B would agree not to compete with A for five years in the relevant geographic/product area involved in the transaction.

3. Consideration. As consideration for the above transaction, A would pay B an amount that would be variable under a formula based on the volume of business that A does following closing with B's former insurance customers. A would make an up-front, minimum payment to B of $60 million. To the extent that the total formula payments would exceed $60 million, A would make additional payments to B, up to a maximum of $193 million.

Presented with these facts, you agreed with the following conclusions:

The renewal rights being acquired are not considered assets that need to be valued under Hart-Scott, and any value attributed to them does not count towards the size-of-transaction threshold. If no acquisition price is determined for the untraded voting securities being acquired, when calculating the fair market value of those securities Company A would be entitled to view the underlying runoff business as having negligible value because all profits and losses for the business will remain with Company B, and B will remain the operator of the business. Alternatively, in the event the parties determine an acquisition price for the untraded voting securities, when conducting an 802.4 analysis of the underlying assets Company A would similarly be entitled to view the underlying runoff business as having negligible value.

Please let me know if I have misstated our conversation in any way or if you disagree with any of the conclusions above. As always, thank you for your time and assistance.

Sincerely,

[redacted]

AGREE -
B M
6/9/09