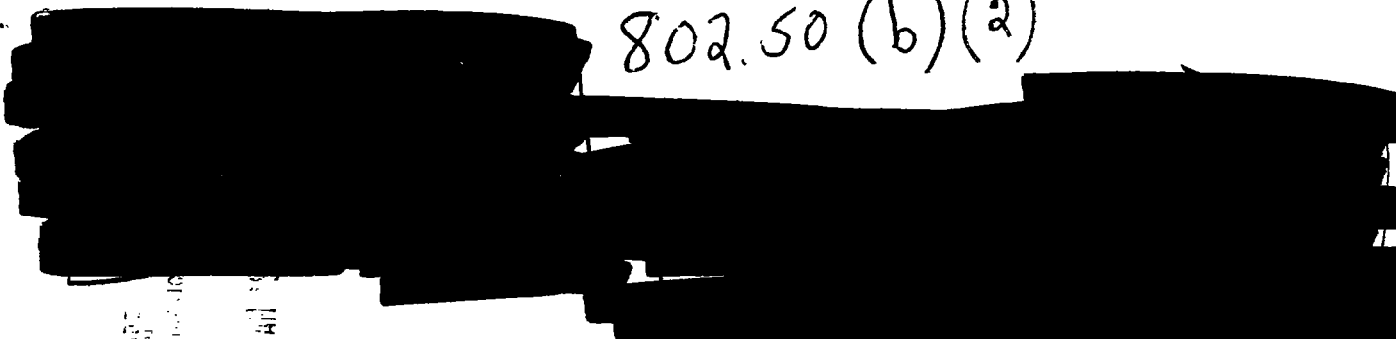


802.50 (b)(2)



PREM
MAY 31

VIA FACSIMILE TRANSMISSION
AND FIRST-CLASS MAIL

Richard B. Smith, Esq.,
Premerger Notification Office,
Federal Trade Commission,
Bureau of Competition,
~~Sixth Street and Pennsylvania Avenue, N.W.~~
Washington, D.C. 20580.

Re: Interpretation of the "sales in or into the
United States" provision of Rule 802.50(b)

Dear Dick:

I wanted just to summarize our discussion during our telephone conversation of yesterday afternoon. I called you on a "no-names" basis to discuss the interpretation of the Premerger Notification Office (the "PNO") of Section 802.50(b)(2) of the rules under the Hart-Scott-Rodino Antitrust Improvements Act of 1976. Specifically, we discussed whether the PNO agrees with the view that there are no "sales in or into the United States" within the meaning of that provision in the following circumstance:

A, a company headquartered and incorporated in the United States, expects to acquire voting securities of B, a holding company headquartered and incorporated outside the United States. B has two subsidiaries incorporated outside the United States that are engaged in the business of providing reinsurance to insurers throughout the world. Neither B, nor any of the entities

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Richard B. Smith, Esq.

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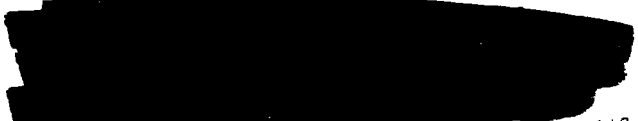
controlled by B, has assets (other than investment assets) located in the United States, solicits business in the United States, advertises in the United States, has a physical presence in the United States, or negotiates or consummates ~~business in the United States. Approximately 50%~~
 or more of the premiums of B's reinsurance subsidiaries are derived from insureds located in ~~the United States.~~

You confirmed that the PNO concurs in our view that neither B nor its reinsurance subsidiaries are considered to have made "sales in or into the United States" within the meaning of Section 802.50(b)(2) merely because B's subsidiaries provide reinsurance to insureds located in the United States. You explained that, in the PNO's view, the sale occurs when the subsidiaries enter into contracts ~~for the provision of reinsurance and those agreements are~~
 entered into outside the United States. You indicated that your office has been asked to consider this issue in connection with other acquisitions and has reached the same conclusion in those situations.

As always, it was a pleasure speaking with you and we appreciate your attention to, and consideration in, this matter.

Best regards.

Very truly yours,



6/3/96 Advised writer's phone mail system that I agreed with his conclusion. Clearly there are no sales in the U.S. and the

may come from U.S. based insureds companies, re-insurers provided in the U.S. and such payments to foreign based insurers providing re-insurance outside the U.S. (even though premiums may come from U.S. based companies and receiving premiums on the original insurance policy from U.S. based insureds) do not constitute re-insurance sales "into" the U.S.

R.B. Smith