

**STATE OF CONNECTICUT
INSURANCE DEPARTMENT**

In the Matter of: : DOCKET NO.

:

PROPOSED ACQUISITION OF CONTROL OF :
HARTFORD LIFE INSURANCE COMPANY, :
HARTFORD LIFE AND ANNUITY INSURANCE : EX 18-05
COMPANY, HARTFORD INTERNATIONAL :
LIFE REASSURANCE CORPORATION, AND :
AMERICAN MATURITY LIFE INSURANCE :
COMPANY :

:

by :

:

HOPMEADOW ACQUISITION, INC., :
HOPMEADOW HOLDINGS, LP, HOPMEADOW :
HOLDINGS GP LLC, HOPMEADOW UK :
HOLDINGS LTD., HOPMEADOW CAYMAN GP :
LLC, CORNELL CAPITAL GP III LP, CORNELL :
CAPITAL GP III GP LLC, HENRY CORNELL, :
AMC FUND GP LP, AMC SPECIAL MGP LTD, :
AMC FUND MGP LP, AMC MGP FP LTD, :
ROBERT E. DIAMOND, JR., DAVID I. :
SCHAMIS, CORNELL CAPITAL PARTNERS III :
LP, ATLAS MERCHANT CAPITAL FUND LP :
: MAY 15, 2018

:

STATEMENT OF EMILY POLLACK

I. Introduction

Good morning. My name is Emily Pollack, and I am a Managing Director of Cornell Capital LLC, which I will refer to as “Cornell Capital”.

It is my pleasure to be with you this morning to testify in favor of the proposed acquisition of Hartford Life, Inc., which I will refer to as “HLI” and the resulting indirect proposed acquisition of control of each of Hartford Life Insurance Company, Hartford Life and Annuity Insurance Company, Hartford International Life Reassurance Corporation and American Maturity Life Insurance Company, which I will collectively refer to as the “Domestic Insurers” and I will refer to such acquisition as the “Proposed Transaction” by Hopmeadow Acquisition, Inc., which I will refer to as the “Buyer”, Hopmeadow Holdings, LP, Hopmeadow Holdings GP LLC, Hopmeadow UK Holdings Ltd., Hopmeadow Cayman GP LLC, Cornell Capital GP III LP, Cornell Capital GP III GP LLC, Henry Cornell, AMC Fund GP LP, AMC Special MGP Ltd, AMC Fund MGP LP, AMC MGP GP Ltd, Robert E. Diamond, Jr., David I. Schamis, Cornell Capital Partners III LP and Atlas Merchant Capital Fund LP, which I will refer to collectively as the Applicants. The Proposed Transaction is subject to the Connecticut Insurance Commissioner’s, which I will refer to as the “Commissioner”, prior approval under the Connecticut Insurance Code, and the Applicants filed a Form A Application, which I will refer to as the “Application”, with the Connecticut Insurance Department, which I will refer to as the “Department”, on January 19, 2018, and amended and restated it on January 26, 2018 and April 17, 2018. As a Managing Director of Cornell Capital and a director of Hopmeadow Holdings GP LLC, I am authorized to offer testimony regarding the Proposed Transaction.

I have been a Managing Director of Cornell Capital since January 2017. My principal responsibilities relate to investment evaluation and execution, including by participating in transaction due diligence and negotiation of transaction agreements, and investment ownership, including by serving on the board of the companies that Cornell Capital invests in, advising the management team and assisting in key strategic initiatives. Immediately prior to joining Cornell Capital, I was a Vice President and Deputy General Counsel of Harron Entertainment Company, LLC, a management company for a telecommunications company. Prior to my role with Harron Entertainment Company, LLC, I was an Associate in the Mergers & Acquisitions department at the law firm Davis Polk & Wardwell LLP and a specialty lines underwriter at National Union Fire Insurance Company of Pittsburgh, PA, a subsidiary of American International Group, Inc. I received a J.D. from Harvard Law School and a B.A. from the University of Pennsylvania. I am a member of the New York, New Jersey and Pennsylvania bars. I am familiar with the pending indirect acquisition of the Domestic Insurers, and I was involved with the drafting and submission of, and have recently reviewed, the Application that is the subject of my testimony today.

II. Background Regarding the Applicants

The Buyer is a Delaware company that is a wholly owned subsidiary of Hopmeadow Holdings, LP. The Buyer was formed on November 21, 2017 for the purpose of entering into the Proposed Transaction. At the closing of the Proposed Transaction, the Buyer will acquire Hartford Life, Inc., the parent of the Domestic Insurers. The Buyer conducts no other business.

Hopmeadow Holdings, LP is a Delaware limited partnership. Hopmeadow Holdings, LP was formed on November 21, 2017 for the purpose of entering into the Proposed Transaction. Hopmeadow Holdings, LP conducts no other business.

Hopmeadow Holdings GP LLC is a Delaware limited liability company and is the general partner of Hopmeadow Holdings, LP. Hopmeadow Holdings GP LLC was formed on November 27, 2017 for the purpose of entering into the Proposed Transaction. Hopmeadow Holdings GP LLC conducts no other business.

Hopmeadow UK Holdings Ltd. is a private limited company incorporated under the laws of England and Wales and is the owner of approximately 84.7% of the membership interests in Hopmeadow Holdings GP LLC. Hopmeadow UK Holdings Ltd. was formed on January 11, 2018 for the purpose of engaging in transactions and activities related to the Proposed Transaction. Hopmeadow UK Holdings Ltd. conducts no other business.

Hopmeadow Cayman GP LLC is a Cayman Islands limited liability company and the owner of 100% of the voting stock of Hopmeadow UK Holdings Ltd. Hopmeadow Cayman GP LLC was formed on December 21, 2017 for the purpose of engaging in transactions and activities related to the Proposed Transaction. Hopmeadow Cayman GP LLC conducts no other business.

Cornell Capital Partners III LP is a Cayman Islands limited partnership and an investment fund that is focused on creating lasting value for its investors and portfolio companies by partnering with strong management teams to build businesses. Cornell Capital Partners III LP was formed on August 26, 2016.

Cornell Capital GP III LP is a Cayman Islands limited partnership and is the general partner of Cornell Capital Partners III LP and owner of 43.1% of the voting interests in Hopmeadow Cayman GP LLC. Cornell Capital GP III LP was formed on August 26, 2016.

Cornell Capital GP III GP LLC is a Cayman Islands limited liability company. Cornell Capital GP III GP LLC is the general partner of Cornell Capital GP III LP and conducts no other business. Cornell Capital GP III GP LLC was formed on August 18, 2016.

Henry Cornell is the general partner of Cornell Capital GP III GP LLC and the ultimate sole beneficial owner of Cornell Capital GP III GP LLC and Cornell Capital GP III LP. Mr. Cornell is the Founder, Senior Partner and Investment Committee Chair of Cornell Capital, where he is personally involved in the sourcing, evaluation, execution and ownership of each investment. Prior to founding Cornell Capital, Mr. Cornell was most recently the Vice Chairman of the Merchant Banking Division of Goldman Sachs. Mr. Cornell has over 30 years of experience across all aspects of private equity investing in a broad array of sectors. He began his career as an attorney with Davis Polk & Wardwell LLP before joining Goldman Sachs in 1984 in the Investment Banking Division. He moved to Tokyo in 1988 to head Goldman Sachs' real estate efforts in Asia. In 1992, he moved to Hong Kong to found Goldman Sachs' principal investment business in Asia. Under his leadership, the firm made numerous landmark investments in Asia, including in Ping An Insurance Company of China, Sanyo Corporation, Hana Bank and Industrial and Commercial Bank of China (ICBC). In 1999, Mr. Cornell was named to the global investment committee responsible for all debt and equity investments. He returned to New York in 2000 as Head of Private Equity Americas, where he played a key role in the success of the Goldman Sachs Capital Partners funds GSCP 2000, GSCP V and GSCP VI as a leader in the division, member of the global investment committee and active investor. He was named Vice Chairman of the Merchant Banking Division in 2012. Mr. Cornell was active across the United States and Asia, and his notable U.S. investments include Allied World, Barrett Energy, Kinder Morgan, USI, MRC Global and Cobalt. Mr. Cornell is a member of the Board of Trustees of Mt. Sinai, the Whitney Museum, The Asia Society and the Navy SEAL Foundation and is a member of the Council on Foreign Relations. Mr. Cornell received a B.A. from Grinnell College in 1976 and a J.D. from New York Law School in 1981.

Atlas Merchant Capital Fund LP is a Cayman Islands limited partnership and an investment fund. Atlas Merchant Capital Fund LP offers a unique and differentiated approach to financial services investments, believing that a long-term, merchant capital approach balanced with operating experience and regulatory expertise will best serve its partners and its investments. Atlas Merchant Capital Fund LP was formed on October 20, 2014.

AMC Fund GP LP is a Cayman Islands exempted limited partnership. AMC Fund GP LP is the general partner of Atlas Merchant Capital Fund LP and owner of 29.4% of the voting interests in Hopmeadow Cayman GP LLC and conducts no other business. AMC Fund GP LP was formed on October 20, 2014.

AMC Special MGP Ltd is a Cayman Islands exempted company. AMC Special MGP Ltd is a general partner of AMC Fund GP LP and conducts no other business. AMC Special MGP Ltd was formed on October 17, 2014.

AMC Fund MGP LP is a Cayman Islands limited partnership. AMC Fund MGP LP is a general partner of AMC Fund GP LP and conducts no other business. AMC Fund MGP LP was formed on October 20, 2014.

AMC MGP GP Ltd is a Cayman Islands exempted company and is the general partner of AMC Fund MGP LP and conducts no other business. AMC MGP GP Ltd was formed on October 17, 2014.

Robert E. Diamond, Jr. is Founding Partner and Chief Executive Officer of Atlas Merchant Capital LLC and is based in New York. Mr. Diamond is also a founder and non-executive director of Atlas Mara Limited. Until 2012, Mr. Diamond was Chief Executive of Barclays, having previously held the position of President of Barclays and was responsible for Barclays Capital and Barclays Global Investors (BGI). He became an executive director of Barclays in 2005 and was a member of the Barclays Executive Committee since 1997.

David I. Schamis is Founding Partner and Chairman of the Investment Committee at Atlas Merchant Capital LLC, and is based in New York. Previously, Mr. Schamis worked at J.C. Flowers from 2000 to January 2014, most recently as a Managing Director and member of the Management Committee. Mr. Schamis joined J.C. Flowers at its inception and has had significant experience investing in North America, South America, Europe and Asia. His day-to-day responsibilities included transaction and sourcing execution, portfolio company monitoring and firm operations. Prior to J.C. Flowers, Mr. Schamis worked in the financial institutions investment banking group at Salomon Smith Barney LLC from 1995 to 2000.

Each of Mr. Diamond and Mr. Schamis owns greater than 10% of the shares of AMC MGP GP Ltd and, together, they own 100% of such shares.

Organizational charts presenting the identities and interrelationships among the Applicants and the Domestic Insurers before and after the Proposed Transaction are attached as Exhibits 3 and 4 to the Application.

III. Description of the Proposed Transaction

The Domestic Insurers are all indirect, wholly owned subsidiaries of Hartford Holdings, Inc., a Delaware corporation, which I will refer to as the “Seller”. The Hartford Financial Services Group, Inc., which I will refer to as “HFSG”, is the parent of the Seller.

In connection with the Proposed Transaction, the Applicants formed the following entities: (a) Hopmeadow Holdings, LP, a Delaware limited partnership, (b) Hopmeadow Holdings GP LLC, a Delaware limited liability company, which is the general partner of Hopmeadow Holdings, LP, (c) the Buyer, a Delaware corporation, which is a wholly owned subsidiary of Hopmeadow Holdings, LP, (d) Hopmeadow UK Holdings Ltd., a private limited company incorporated under the laws of England and Wales and (e) Hopmeadow Cayman GP LLC, a Cayman Islands exempted company (Hopmeadow Holdings, LP, Hopmeadow Holdings GP LLC, the Buyer, Hopmeadow UK Holdings Ltd. and Hopmeadow Cayman GP LLC, which I will collectively refer to as the “Acquisition Entities”.

On December 3, 2017, the Seller, HFSG (for certain limited purposes) and the Acquisition Entities entered into a Stock and Asset Purchase Agreement, which I will refer to as the “SAPA”, pursuant to which, subject to satisfaction of all closing conditions (including approval by the Commissioner of the Proposed Transaction), the Seller intends to transfer, among other things, the capital stock of Hartford Life, Inc. the parent of the Domestic Insurers, to the Buyer. The Buyer will pay to the Seller for the shares of common stock of Hartford Life, Inc. and certain other acquired assets (as more fully described in the SAPA) \$2.05 billion *minus* certain adjustments described in § 2.02 of the SAPA, which I will refer to as the “Purchase Price”.

A copy of the SAPA, together with all exhibits and schedules thereto (subject to certain exceptions and redactions), is attached to the Application as Exhibit 1.

Cornell Capital LLC, Atlas Merchant Capital, LLC, TRB Advisors LP, Commonwealth Annuity and Life Insurance Company, Mercury Mgmt. Ltd and Pine Brook Road Advisors, L.P. are the lead investors in the Acquisition Entities in connection with the Proposed Transaction, which I will collectively refer to as the “Lead Investors”. All investors in the Acquisition Entities in connection with the Proposed Transaction (other than HFSG) either directly or on behalf of investment funds or co-investment vehicles managed or advised by such investors, entered into an interim investors agreement, which I will refer to as the “Interim Investors Agreement”, pursuant to which each such investor has agreed to make an equity investment in Hopmeadow Holdings and/or Hopmeadow Cayman LP, a Cayman Islands limited partnership, at the Closing in an amount equal to such investor’s commitment. With the prior written consent of the Lead Investors, an investor may assign its rights under the Interim Investors Agreement to an affiliate or, in the case of a Lead Investor, to a U.S. person who is a limited partner and has granted a voting proxy in favor of such Lead Investor, in each case, subject to the limitations set forth in the Interim Investors Agreement and compliance with the terms of the SAPA. As a result of the Proposed Transaction, the Domestic Insurers will be wholly owned indirect subsidiaries of the Buyer.

Each of the Lead Investors is entitled to designate one member of the eleven-member board of directors of Hopmeadow Holdings GP LLC, with the exception of Cornell Capital, which is entitled to two board seats or votes. The remaining four board seats are apportioned as follows: one director appointed by Hartford Holdings, Inc. (which is also receiving an equity interest in the Acquisition Entities in connection with the Proposed Transaction), two independent directors and one member of the Domestic Insurers’ management.

A copy of the Interim Investors Agreement, together with all exhibits and schedules thereto (subject to certain exceptions and redactions), is attached to the Application as Exhibit 2. Any investor listed only on the signature pages to the Interim Investors Agreement and not otherwise referred to in the Interim Investors Agreement owns less than 10% of the voting interests in any Applicant.

For further detail of the principal terms of the Proposed Transaction, please see the SAPA and the Interim Investors Agreement.

IV. Future Plans for the Domestic Insurers

Run-Off Strategy, Capital Management and Other Initiatives

The primary strategy of Hartford Life, Inc. and its subsidiaries (including the Domestic Insurers, which I will collectively refer to as the “Company”, is to continue to run off the existing business, consistent with the management of the business in recent years. As this occurs, required RBC capital will decrease and profits will accrue, thereby generating additional excess capital. The Company plans to return excess capital to shareholders over time in a prudent manner.

The Company’s capital will be managed to ensure fulfillment of its obligations and commitments to all stakeholders, including policyholders, regulators, rating agencies and creditors. The capital plan will maintain strong capitalization of the insurance operations and sufficient financial flexibility in both base case and market stress scenarios.

Consistent with this philosophy, Hartford Life Inc. will ensure capital exceeds 200% CAL RBC in the market stress scenario individually for each of the Domestic Insurers.

Consistent with Section 38a(i)(2) of the Connecticut General Statutes, any dividends in the first two years after the closing will be extraordinary and subject to specific regulatory approval. Following the initial statutory period, the base case dividend plan assumes a dividend of \$700 million in the following year, comprising both ordinary and extraordinary dividends. In all cases, dividends will only be requested to the extent Company management demonstrates that, giving effect to such dividends, Hartford Life Inc. will ensure that the Domestic Insurers would be able to maintain at minimum a 200% CAL RBC in the market stress scenario. The Company’s Board of Directors will regularly assess dividend capacity and the Company may request regulatory approval for additional dividends if appropriate.

Longer term, the Company and its Board of Directors is prepared to assess select strategic growth initiatives that complement the Company’s managerial and operating strengths. Examples of organic growth initiatives include leveraging the standalone IT and operating infrastructure to provide third-party administrative services to other books of business. Furthermore, at the appropriate time and for appropriate opportunities, the Company may consider acquiring additional run-off books of business that would fit the management skills and knowledge of the Company’s team. Any such transaction would require supermajority approval by the Board of Directors.

The Company has outbound reinsurance agreements with a number of highly-rated third-party reinsurers (CIGNA, AXA and ACE on VA rider reinsurance, and Prudential and Mass Mutual on divested blocks). No changes to these reinsurance agreements are contemplated as a result of the transaction (including continued priority of protecting the

Company's AM Best rating that otherwise could lead to a termination of the CIGNA treaty). In conjunction with closing, the Company will enter into a new quota share coinsurance agreement with Commonwealth Annuity and Life Insurance Company (Mass.), which I will refer to as "Commonwealth", (A.M. Best "A-"), a subsidiary of Global Atlantic Financial Group, covering \$9.6 billion in reserves (as of 12/31/16) of fixed deferred annuities, payout annuities, period certain and standard life contingent structured settlements.

Going forward, the Company may look at additional outbound third-party reinsurance to further improve its risk and capital profile, such as reinsuring its substandard structured settlements block. There is no planned use of reinsurance to either captives or affiliated companies.

After closing, the Company intends to submit a Division application to the Connecticut Department of Insurance for a legacy block of long term group disability insurance associated with the group benefits business that is being retained by The Hartford. The Company will also pursue divisions related to two legacy blocks of business previously divested by the Company through 100% quota share reinsurance (Prudential, MassMutual). The Company will cooperate with Prudential and MassMutual on the Division plans. Successfully executing the Divisions will improve the Company's pro-forma capital and risk position.

Organization and Staffing

In the four year period following the closing of the Proposed Transaction, the Company is expected to maintain a broadly similar approach to staffing levels, but also consistent with the runoff trajectory of the Company's business. At the same time, the Company will be adding staff where needed, particularly where necessary to replace functions currently provided by the larger HFSG organization. Longer term, staffing levels will be dependent on the growth of the Company's runoff platform as well as the continued runoff of existing business.

There are currently 375 employees of Hartford Life, Inc. and its subsidiaries, including 313 based in Connecticut. It is expected that under the Applicants' ownership the Company will at first experience an increase in employees as it looks to bring in certain positions that were outsourced or performed through shared services arrangements with HFSG. Thereafter, in light of the run-off nature of the business, it is expected that the staffing needs of Hartford Life, Inc. and its subsidiaries will decline in the absence of any external growth opportunities.

The Company views Peter Sannizzaro and the direct reports to Mr. Sannizzaro, as identified on the organizational chart as key employees for retention purposes. All key personnel positions other than the Internal Audit have been filled.

There are no employee retention agreements. However, the Applicants will implement the following financial incentives to encourage retention at all levels of the organization:

First, the Applicants will provide cash payments to employees, to be paid out over three years, to replace the existing restricted stock units in HFSG, which will be terminated in connection with the Proposed Transaction. In addition, the Applicants have worked with management to develop a robust long-term incentive compensation plan that will provide for payments over a number of years based on a multiple of employees' salaries.

Impact of Acquisition on Operations

The overall operating model of the Company will remain in place unchanged. There will be some changes driven by the transition from a business line within the HFSG organization to a stand-alone enterprise. As a result of the separation, the Company will no longer maintain an office location in Hartford, Connecticut. The Company will be located solely in the existing Windsor, Connecticut location, which HFSG will convert to a multi-tenant space, and the existing Woodbury, Minnesota location (leaving all existing operations in that space). Currently, HFSG provides certain services (e.g., human resources, finance) to the various businesses within the organization, including the Company, through a centralized corporate function model. As a smaller, stand-alone company, the Company will provide these corporate services directly and may seek to utilize third-party vendors for some of these services. The Company expects to use a mix of leased and cloud data center capabilities to deliver services. The Company expects to continue to utilize many of the existing vendors for select services and may seek to utilize additional third-party vendors for additional services, such as cloud computing providers. Finally, Hartford Investment Management Company (HIMCO) will continue to act as the investment advisor for the Company's general account and certain other portfolios but it will do so as an unaffiliated third-party advisor.

V. Statutory Criteria

I would now like to address some of the specific criteria that I understand the Commissioner must consider when deciding whether to approve the Proposed Transaction.

Requirements for Issuance of a License

First, the Domestic Insurers must be able to satisfy the requirements for the issuance of a license to write the line or lines of business for which they are presently licensed. As previously discussed, the Domestic Insurers will be run consistently with how they are currently run. The Applicants will ensure that the Domestic Insurers retain all licenses necessary for the operation of their businesses and that the Domestic Insurers are run in accordance with applicable law.

Effect on Competition

The next criterion looks at whether the Proposed Transaction will substantially lessen competition of insurance in Connecticut or tend to create a monopoly in insurance

in Connecticut. The Proposed Transaction will not substantially lessen competition or tend to create a monopoly. The Applicants do not own or control any insurance companies that write business in Connecticut in the same lines of business as the Domestic Insurers. Additionally, we expect that the Domestic Insurers will continue to be managed in accordance with their current run-off strategy, causing the Domestic Insurers' market share to decrease over time.

Financial Condition of the Acquiring Parties

The Commissioner also considers whether the financial condition of the Applicants is such as might jeopardize the financial stability of the insurance company or prejudice the interests of its policyholders.

The Applicants have strong financials, as demonstrated by the financial statements included in Exhibit 12 to the Application.

Additionally, Hopmeadow Holdings, LP has entered into a Capital Management Plan with respect to the Domestic Insurers. The Capital Management Plan provides, among other things, that (a) for the two year period after the closing of the Proposed Transaction, prior approval will be required with respect to any dividends paid by the Domestic Insurers, (b) Hartford Life, Inc. will maintain the Authorized Control Level Risk Based Capital Ratio individual for each of the Domestic Insurers at or above 400% and (c) Hartford Life, Inc. will maintain capital margin (liquidity) in order to withstand an adverse economic environment. Semi-annual in person meetings will be established in order to review the adequacy of the assumptions used in the Capital Management Plan. Hartford Life, Inc. will also provide quarterly liquidity reports to be reviewed by the Department.

Plans to Liquidate the Domestic Insurers

The next criterion looks to whether there are plans or proposals of the Applicants to liquidate the Domestic Insurers, sell the Domestic Insurers' assets or consolidate or merge any of the Domestic Insurers with any person, or to make any other material change in their business or corporate structure or management, that are unfair and unreasonable to policyholders of the Domestic Insurers and not in the public interest.

The Applicants have no plans to liquidate or sell the Domestic Insurers' assets or consolidate or merge any of the Domestic Insurers with any person.

As previously discussed, the Applicants also have no plans to make material changes to the way the Domestic Insurers are managed. The Domestic Insurers' headquarters will remain in the State of Connecticut. The Capital Management Plan provides that employee levels for Hartford Life, Inc. and the Domestic Insurers in Connecticut will remain consistent with current staffing levels of approximately 315 for the next four years effective after the closing of the Proposed Transaction.

Competence, Experience and Integrity of Controlling Persons

The next criterion looks at whether the competence, experience and integrity of those persons who would ultimately control the operation of Hartford Life, Inc. and the Domestic Insurers are such that it would not be in the interest of policyholders of the Domestic Insurers and of the public.

Biographical information on the proposed boards of the Domestic Insurers has been provided, and third party background checks have been provided to the Department. The proposed directors are demonstrably competent and experienced, and their background checks have not provided any reason to question their integrity.

Whether the Proposed Transaction is Likely to be Hazardous or Prejudicial

Finally, the Commissioner considers whether the Proposed Transaction is likely to be hazardous or prejudicial to those buying insurance. As has hopefully been made clear through the rest of my testimony, the Domestic Insurers will be managed consistently with the way they are currently managed. Moreover, I expect the experience and financial strength of the Applicants to help the Proposed Transaction be positive for the Domestic Insurers and their policyholders.

VI. Conclusion

In closing, I want to thank the Department for allowing me to present this testimony. The Applicants look forward to receiving approval of the Proposed Transaction and working closely with the Department in the future. I and the rest of the team would be happy to answer any questions that the Department may have. Thank you very much for your consideration of this matter.