



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

December 10, 2021

Via email (eretersdorf@daypitney.com)

Elizabeth P. Retersdorf, Esq.
Day Pitney LLP
242 Trumbull Street
Hartford, CT 06103

Re: Proposed acquisition of control of Prudential Retirement Insurance and Annuity Company by Great West Life & Annuity Insurance Company et al.

Docket # EX 21-78

Dear Attorney Retersdorf:

The Connecticut Insurance Department (“Department”) has completed a preliminary review of the Form A Statement regarding the proposed acquisition of control (“Proposed Acquisition”) of Prudential Retirement Insurance and Annuity Company (the “Domestic Insurer” or “Domestic Company”) by Great-West Life & Annuity Insurance Company (“GWL&A”), GWL&A Financial Inc. (“GWL&A Financial”), Great-West Lifeco U.S. LLC (“Lifeco U.S.”), Great-West Financial (Nova Scotia) Co., Great-West Lifeco Inc. (“Lifeco”), Power Financial Corporation, (“Power Financial”), Power Corporation of Canada (“Power Corporation”), Pansolo Holding Inc. (“Pansolo”), and The Desmarais Family Residuary Trust (the “Trust”) (collectively, the “Applicants”), received August 17, 2021 (the “Application”). As a result of the review, it was determined that the information requested below is necessary to complete the filing. Please provide in hard copy and on a thumb drive amended and restated clean and black lined versions of the Form A rather than standalone amendments. This should include any new exhibits resulting from the amendments and restatements. You should also reflect any amendments to the Application resulting from any discussions with the Department which you may have subsequent to this letter being issued.

ITEM 1. INSURER AND METHOD OF ACQUISITION

1. With regard to the entire Form A Application, please provide the Entire Agreement as outlined in Section 8 of the Guarantee Agreement. (Exhibit D). Additionally, the Department has noticed in the Master Transaction Agreement the following language throughout the document pertaining to certain terms: “Error! Reference source not found.” Please provide clarification.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

2. On Page 6 of the Form A it is stated that CDS Clearing and Depository Services Inc. (“CDS & Co.”) has more than 10% ownership of Great-West Lifeco Inc. Please provide details as to why an exemption from change in control has not been filed with the Department. Furthermore, provide details as to why CDS & Co. is not considered an applicant.

3. The Form A states on pages 7-8 that Pansolo beneficially holds approximately 99.73% of outstanding Participating Preferred Shares and approximately 7.78% of the outstanding Subordinate Voting Shares of Power Corporation of Canada. This equals approximately 50.89% of the voting interest and 15.24% of the total equity interests in Power Corporation of Canada. The Applicant further states that Pansolo has pledged 100% of the Participating Preferred Shares and approximately 36% of the Subordinate Voting Shares of Power Corporation to certain Canadian bank lenders as security for its obligations thereunder. Please provide the Agreements with the lenders so that the Department can evaluate these agreements and determine if they meet our control standards.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT

4. The Form A states that the Applicants are continuing to evaluate the specific composition of the directors and executive officers. Please provide an update along with charts in the following format for officers and directors for the Domestic Insurer on a post-acquisition basis.

Directors

Name	Title

Officers

Name	Title

5. As the Department has not yet received Third Party Verification Reports a review of the biographical affidavits has not yet occurred. Upon review further questions may be submitted.

6. While we have not requested them, the Department reserves the right to receive credit histories for all individuals associated with the Applicants.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

7. According to the Form A, the total purchase price is approximately \$3.55 billion. Please provide an update on the issuance of approximately \$1.2 billion of limited recourse capital notes and approximately \$1 billion of short-term debt.

8. It is stated in the Form A that the Applicants anticipate that interest and principal payments on the Acquisition Financing may be funded in part using income generated by the acquired business and the Domestic Insurer. Be reminded that ALL dividends contemplated by the Applicant must be pre-approved by the Commissioner prior to payment for the next two years post-closing. Subsequent to the two-year period extraordinary dividends require pre-approval.

ITEM 5. FUTURE PLANS OF INSURER

9. With regard to Exhibit E, Plan of Operations and Financial Projections, please elaborate on the following:

- a. Please provide a high-level overview of any non FSS Business remaining in the Domestic Insurer. Also provide an estimate, by type of business, currently being contemplated for movement into Empower Retirement, LLC.
- b. It is stated that there are no immediate plans to change the location of the Domestic Insurer's statutory home office. In addition, you state that there are approximately 379 employees, residing in Connecticut. As part of our approval process we will require a commitment letter stating that the level of Connecticut employees of the Domestic Company will remain the same or above the current level four years post-closing.
- c. In the event that this transaction is approved, the Department will request quarterly meetings with the Domestic Insurer Management along with board representation as we continue to assess the transition process.
- d. The Applicant lists several Affiliated Agreements that would have to be preapproved by the Department. Please elaborate on your shared Service and Cost Allocation Sharing Agreement. Specifically, please confirm that it is a cost allocation methodology being contemplated and no profit margin embedded.
- e. Please describe any changes anticipated in investment strategy. Specifically, you state that GWL&A anticipates making allocations to below investment grade assets and equity/alternatives/LP's in line with applicable investment

policies. It appears the Applicant has a more aggressive investment policy than the Domestic Insurer.

- f. Please provide more detail on due diligence performed when assessing the cultural fit between the Domestic Insurer and the Applicants.
 - g. The Domestic Insurer's Pro Forma Statutory Income Statement projects a material increase in Net Premiums in the year 2024. Please describe the rationale of the increase by line of business. Additionally, material changes in Surrender Benefits and Other Fund Withdrawals were noted along with Net Transfer (to) or from Separate Accounts Net of Reinsurance. Please provide details.
10. Please provide an update of how AM Best is receiving this Proposed Acquisition. Provide implications of any downgrades and triggers which may affect any contracts post-closing.
11. In the unlikely event our Domestic Insurer has a solvency issue (either liquidity or capital) provide the likely originating entity capital needs can be drawn from.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

The Department has no questions but please update the information as appropriate.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

The Department has no questions but please update the information as appropriate.

ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER

The Department has no questions but please update the information as appropriate.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

The Department has no questions but please update the information as appropriate.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

The Department has no questions but please update the information as appropriate.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

The Department has no questions but please update the information as appropriate.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

12. It is noted that the Applicants have requested the following entities file unaudited financial statements: GWL&A Financial Inc., Great-West Lifeco U.S. LLC, Great -West Financial (Nova Scotia) Co., Pansolo Holding Inc. and the Desmarais Family Residuary Trust. As the Department contemplates our decision please verify the following:

- a. The financial results of all of the above-mentioned entities (excluding the Trust) are taken into consideration by the Applicants' outside audit firm when consolidating.
- b. Regarding GWL&A Financial Inc., please provide details as to the change in reporting requirements effective 2018.
- c. It appears that Great-West Lifeco U.S. LLC acts as an active insurance carrier. Please provide justification as to why an audited statement is not required.

13. If the Department deems that all of the unaudited statements as acceptable, be reminded that in order to complete the filing, attestations from the appropriate officer will be required.

ITEM 13. AGREEMENTS REQUIREMENTS FOR ENTERPRISE RISK MANAGEMENT

The Department has no questions but please update the information as appropriate.

ITEM 14. OTHER INFORMATION

14. Please provide copies of all other regulatory filings made by the Applicants in connection with the Proposed Acquisition. With regard to other state and international insurance regulators' the equivalent of our Form A, without exhibits, is appropriate and will comply with this requirement.

15. Please provide a copy of the Applicants' Hart-Scott Rodino filing, without exhibits. Please provide an update as to the filing status.

16. Please identify, if applicable, any potential material litigation of which the Applicants are aware, which are not currently reflected in the Form A, which could affect the Domestic Insurer.

17. Please continue to keep the Application current by supplementing the filing with current applicable financials and any other material changes in the Application.

ITEM 15. SIGNATURE AND CERTIFICATION

The Department has no questions but please be aware of the requirement that all persons who signed the Form A Application are required to be present at the hearing.

We look forward to receiving this information at your earliest opportunity. If you feel it beneficial, we are agreeable to meeting by phone or in person to discuss this letter or your proposed responses. Please be aware that further information may be requested as we continue to review and evaluate your submissions therefore we recommend that you provide detailed and complete responses to avoid our having to seek further information which may delay the process.

If you have any questions, or would like to discuss, please let me know.

Sincerely,



Jennifer M. Dowty
Counsel, Connecticut Insurance Department

cc: Kathy Belfi, CID
Ken Cotrone, CID