



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### ORDER ADOPTING REPORT OF EXAMINATION

I, Andrew N. Mais, Insurance Commissioner of the State of Connecticut, having fully considered and reviewed the Hartford International Life Reassurance Corporation (the Company) Examination Report (the "Report") as of December 31, 2017, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions.

#### TO WIT:

1. I, Andrew N. Mais, Insurance Commissioner of the State of Connecticut, and as such is charged with the duty of administering and enforcing the provisions of Title 38a of the Connecticut General Statutes ("C.G.S.").
2. The Company is a domestic insurer authorized to transact the business of insurance in the State of Connecticut.
3. On March 26, 2019, the verified Report of the Company was filed with the Connecticut Insurance Department (the "Department").
4. In accordance with C.G.S. §38a-14(e)(3), the Company was afforded a period of thirty (30) days within which to submit to the Department a written submission or rebuttal with respect to any matters contained in the Report.
5. On April 22, 2019, the Company notified the Department of certain responses and comments relating to matters contained in the Report.
6. Following review of the Report, it was deemed necessary and appropriate to modify the Report. A copy of the Report is attached hereto and incorporated herein as Exhibit A.

**NOW, THEREFORE,** it is ordered as follows:

1. That the Report of the Company is hereby adopted as modified with the Department.
2. That the Company shall comply with the recommendations set forth in the Report, and that failure by the Company to so comply shall result in sanctions or administrative action as provided by Title 38a of the C.G.S.
3. Section 38a-14(e)(4)(A) of the CGS requires that:

"The secretary of the Board of Directors or similar governing body of the entity shall provide a copy of the report or summary to each director and shall certify to the Commissioner, in writing, that a copy of the report or summary has been provided to each director. "

Please address the certification to the Commissioner, but send said certification to the care/attention of Mark Murphy, Supervising Examiner, of the Financial Regulation Division.

4. Section 38a-14(e)(4)(B) of the CGS requires that:

"Not later than one hundred twenty days after receiving the report or summary the chief executive officer or the chief financial officer of the entity examined shall present the report of summary to the entity's Board of Directors or similar governing body at a regular or special meeting. "

This will be verified by the Insurance Department either through analysis or examination follow-up.

Dated at Hartford, Connecticut, this 10<sup>th</sup> day of May, 2019.



Andrew N. Mais

Insurance Commissioner

Exhibit A

EXAMINATION REPORT

OF THE

HARTFORD INTERNATIONAL LIFE REASSURANCE CORPORATION  
(NAIC # 93505)

AS OF

DECEMBER 31, 2017

BY THE

CONNECTICUT INSURANCE DEPARTMENT



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March 01, 2019

The Honorable Andrew Mais  
Insurance Commissioner  
State of Connecticut Insurance Department  
153 Market Street  
Hartford, CT 06103

Dear Commissioner:

In compliance with your instructions and pursuant to the requirements of Section 38a-14 of the Connecticut General Statutes (CGS), the undersigned has conducted a financial examination of the condition and affairs of the

HARTFORD INTERNATIONAL LIFE REASSURANCE CORPORATION

(hereinafter referred to as the Company or HILRe), a capital stock corporation incorporated under the laws of the State of Connecticut and having its statutory home office located at One Hartford Plaza, Hartford, CT. The report of such examination is submitted herewith.

# HARTFORD INTERNATIONAL LIFE REASSURANCE CORPORATION

## SCOPE OF EXAMINATION

The previous examination of the Company was conducted by the Financial Regulation Division of the Connecticut Insurance Department (the Department) as of December 31, 2012. The current examination, which covers the subsequent five year period, through December 31, 2017, was conducted at the statutory home office of the Company. Concurrent examinations were also conducted on Hartford Life and Accident Insurance Company (HLAC), Hartford Life Insurance Company (HLIC), Hartford Life and Annuity Insurance Company (HLAN) and American Maturity Life Insurance Company (AMLIC).

The Department also performed an examination of the Connecticut domestic property/casualty affiliates.

The examination was conducted on a full scope, comprehensive basis in accordance with the procedures outlined in the National Association of Insurance Commissioners (NAIC) Financial Examiners Handbook (the Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management compliance with the NAIC Accounting Practices & Procedures Manual and the Annual Statement Instructions.

As a part of the examination planning procedures, the Department reviewed the following documentation submitted by the Company for the period under examination:

- Annual Statements filed with the Department from 2013 through 2017;
- Statements of Actuarial Opinion from 2013 through 2017;
- Management's Discussion and Analysis from 2013 through 2017;
- documentation supporting section 404 of the Sarbanes Oxley Act of 2002 (SOX) and the Model Audit Rule;
- reports of the Company's Internal Audit Department from 2013 through 2017;
- minutes of the Board of Directors (Board) and other Committees, affiliate and custodial agreements and other documents related to significant transactions that require prior Department approval; and
- statutory basis audit reports from 2013 through 2017, prepared by Deloitte & Touche, LLP (D&T), the Company's independent certified public accountants.

A comprehensive review was also made of the financial analysis files and documents submitted to the Financial Analysis Unit of the Department, as well as reports obtained from the NAIC database.

Risk & Regulatory Consulting, LLC (RRC) was engaged by the Department to assist in the review of the Company's actuarial computed loss reserves, liquidity, and asset/liability matching.

## HARTFORD INTERNATIONAL LIFE REASSURANCE CORPORATION

Baker Tilly Virchow Krause, LLP (Baker Tilly) was engaged by the Department to assist in the review of the Company's investment portfolio.

Jennan Enterprises, LLC. (Jennan) was engaged by the Department to conduct an evaluation of the Information Technology (IT) controls.

Work papers prepared by D&T, in connection with its annual statutory audits were reviewed and relied upon to the extent deemed appropriate.

All accounts and activities of the Company were considered in accordance with the risk-focused surveillance examination process.

Comments in this examination report are generally limited to exceptions noted or to items considered to be of a material nature.

Failure of items in the report to add to totals or for totals to agree with captioned amounts is due to rounding.

### HISTORY

The Company was founded in 1981 as Hudson Life Reassurance Corporation (Hudson), a Florida corporation. Hudson was initially owned by a group of four stockholders including Skandia Group Insurance Company Ltd. (Skandia).

In 1988, Hudson acquired Skandia Life of America, a Connecticut company and merged the companies with Hudson as the surviving company.

In a series of transactions from 1989 to 1992, Skandia acquired 100% ownership of Hudson from its previous shareholders. In 1992, the name was changed to American Skandia Life Reinsurance Company (ASRe).

On December 15, 1993, HLIC purchased 100% of the shares of ASRe from Skandia. Subsequent to the purchase, the name was changed to HILRe.

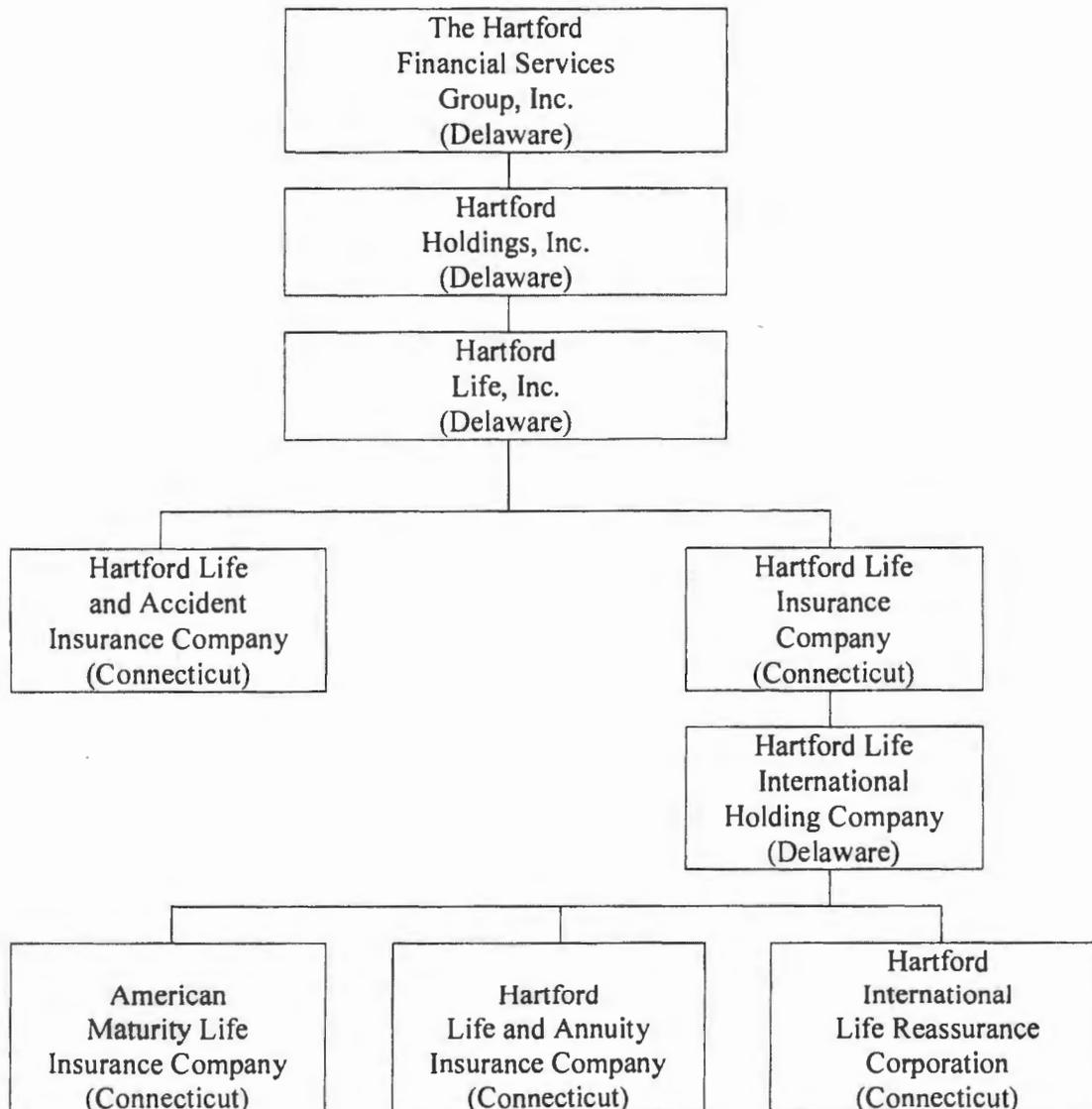
On August 30, 2002, the Hartford Financial Services Group, Inc., (HFSG) restructured the life insurance organization by forming Hartford Holdings Inc. (Hartford Holdings), a Delaware insurance holding company. As a result of the reorganization, the Company was wholly owned by HLIC, which was wholly owned by HLAC. HLAC was wholly owned by Hartford Holdings. The ultimate parent is HFSG.

On April 1, 2016, HLAC sold HILRe to Hartford Life International Holding Company (HLIHC), a direct subsidiary of HLIC, which resulted in HLIC owning AMLIC, HLAN and HILRe. This group of companies is known as Talcott Resolution. The Company is 100% owned by HLIHC, which is a wholly owned subsidiary of HLIC, and is part of a holding company structure in which the ultimate parent company, HFSG is publicly traded.

# HARTFORD INTERNATIONAL LIFE REASSURANCE CORPORATION

## ORGANIZATIONAL CHART

The following is a partial organizational chart of the Company, its parent, subsidiaries and affiliates as of December 31, 2017.



## MANAGEMENT AND CONTROL

The bylaws, amended and restated as of March 15, 2013, require that all meetings of the shareholders of the Company be held at such place or places, within or outside the state of Connecticut, as may be fixed by the Board from time to time or as shall be specified in the respective notices thereof. An annual meeting of shareholders shall be held at such place (within or outside the state of Connecticut), date and hour as shall be determined by the Board and

## HARTFORD INTERNATIONAL LIFE REASSURANCE CORPORATION

designated in the notice thereof. At each annual meeting, the shareholders shall elect the members of the Board for the succeeding year.

Special meetings of the shareholders may be called for any purpose or purposes by the Chairman, the President, the Secretary or any Assistant Secretary, or by a majority of the entire Board.

A majority of the number of directors in office immediately before the meeting begins shall constitute a quorum for the transaction of business.

The business and affairs of the Company shall be managed by or under the direction of the Board, which may exercise all the powers of the Company except such as are by applicable law.

Members of the Board serving the Company at December 31, 2017, were as follows:

<u>Director Name</u>	<u>Title</u>
Brion S. Johnson	President and Chairman of the Board, HILRe
Robert W. Paiano	Executive Vice President and Chief Risk Officer, HILRe
Matthew J. Poznar	Senior Vice President and Director, HILRe

The Board by resolution may designate individuals to serve on one or more Committees from among its members. One-third of the members of a Committee, but no less than two, will constitute a quorum. Any such Committee shall have and may exercise the powers of the Board in the management of the business, property and affairs of the Company, as shall be provided in the bylaws or as the Board may delegate to such Committees by resolution, consistent with applicable law, the Certificate and the bylaws.

HFSG has a standing committee known as the HFSG Audit Committee. The Boards of the insurance companies of HFSG constitute the full Audit Committee for each respective insurance company. Management, through the Controller of HFSG and the insurance companies and Director of Internal Audit, report to the HFSG Audit Committee any known material weaknesses, significant deficiencies and/or significant solvency concerns that have been identified on the insurance company level that are deemed material to HFSG.

The three members of the Company's Board also served on the Company's Audit Committee at December 31, 2017.

The officers serving the Company at December 31, 2017, were as follows:

<u>Officer Name</u>	<u>Title</u>
Brion S. Johnson	President and Chairman of the Board
Peter F. Sannizzaro	Senior Vice President and Chief Financial Officer
Sabra R. Purtill	Senior Vice President and Treasurer
Michael R. Hazel	Vice President and Controller
Zengdi Zhuang	Appointed Actuary
Lisa S. Levin	Corporate Secretary

## HARTFORD INTERNATIONAL LIFE REASSURANCE CORPORATION

### RELATED PARTY AGREEMENTS

The Company is a party to several related party transaction agreements. The material agreements are as follows:

#### Investment Management Agreement

The Company and other affiliates are party to an Amended and Restated Investment Management Agreement with Hartford Investment Management Company (HIMCO). Pursuant to the terms of the agreement, HIMCO provides a broad spectrum of investment services, including but not limited to providing advice to the Company concerning the development of investment strategies and objectives, the development of investment policies and guidelines, the investment and management of assets, the measurement and evaluation of investment performance, cash management, the management of banking relationships, the management of a custodial relationship, and administrative support.

#### Investment Pooling Agreement

The Company and other affiliates participate in a Second Amended and Restated Investment Pooling Agreement with HIMCO. HIMCO acts as the investment manager to invest certain cash balances available to the participants in the investment pool known as the "Hartford Short-Term Investment Pool". HIMCO is compensated at least quarterly for all incurred direct and indirect costs related to the services provided to the Company.

#### Liquidity Agreement

The Company entered in an intercompany Liquidity Agreement with insurance company affiliates. The Agreement allows for short term advances of funds between affiliates for liquidity and other general corporate purposes.

#### Tax Allocation Agreement (TAA)

The Company is party to a TAA with HFSG and its direct and indirect subsidiaries. The TAA governs the tax return filing, payment and allocation of federal, state and local income tax liability between HFSG and its subsidiaries. Each member will calculate its separate tax liability, and the consolidated federal regular income tax liability will be apportioned among the members in accordance with the ratio which is consistent with the taxable income. Payment to the parent will be made by the due date of the consolidated return payment to the Internal Revenue Service.

#### Services and Cost Allocation Agreement

The Company is party to an Amended and Restated Services and Cost Allocation Agreement with various insurance and non-insurance affiliates. This agreement provides for affiliates to obtain a variety of services from each other to conduct day to day business and to be compensated on a fair and equitable basis for their services. Services include, but shall not be limited to, employee costs such as salaries and benefit costs, taxes, fixed assets including, furniture and personal computers,

## HARTFORD INTERNATIONAL LIFE REASSURANCE CORPORATION

miscellaneous accounts payable, including rent, travel and entertainment, insurance, advertising, taxes, license and fees, and other costs related to corporate services.

### INSURANCE COVERAGE

The Company is insured under a fidelity policy issued by three insurers (Travelers Casualty and Surety Company of America, Continental Casualty Insurance Company and Berkeley Regional Insurance Company). HFSG and its affiliates are listed as named insureds. The coverages include an aggregate liability of \$40 million, a single loss limit of liability of \$20 million and a single loss deductible of \$5 million. These limits exceed the suggested minimum as outlined in the Handbook.

### TERRITORY AND PLAN OF OPERATION

The Company is identified as a reinsurer and is authorized to write life participating, variable annuities and accident and health insurance. The Company is licensed or approved in nineteen states and the District of Columbia. However, the Company no longer actively markets or writes new business.

As of April 1, 2015, HLIC recaptured and terminated reinsurance agreements under which HLIC ceded and HILRe reinsured the risks associated with corporate-owned life insurance written directly or assumed by HLIC. Prior to the recapture and termination of the reinsurance agreements, the Company's business had consisted entirely of ordinary and group private placement life insurance assumed from HLIC.

### REINSURANCE

The Company had no assumed or ceded reinsurance activity.

### INFORMATION TECHNOLOGY CONTROLS

Jennan performed a risk-focused assessment and review of the Company's IT general controls (ITGCs) in accordance with NAIC requirements as outlined in the Handbook. The guidance and direction used to perform the review of the Group's ITGCs was derived from Exhibit C Part One – Information Technology Planning Questionnaire (ITPQ) and Exhibit C Part Two – Information Technology Work Program (collectively Exhibit C). The responses to the ITPQ were evaluated, and certain controls within the IT control environment were tested to assess whether they were designed effectively and were functioning properly.

Jennan's objectives were to obtain reasonable assurance about whether Information Systems resources align with HFSG's objectives and ensure that significant risks (strategic, operational, reporting, and compliance) arising out of its IT environment were appropriately mitigated by strategies and controls as outlined in Exhibit C.

## HARTFORD INTERNATIONAL LIFE REASSURANCE CORPORATION

The objectives above were achieved through a combination of reviewing the HFSG's policies and procedures, testing in key areas related to Exhibit C, interviewing the HFSG's IT senior management, reviewing IT risk assessment processes, and leveraging the risk assessment procedures performed by the HFSG's internal and external auditors.

The evaluation of IT controls focused on the following areas: management and organizational governance; data processing infrastructure; program change controls; system development controls; logical and physical security; business continuity plans; end user business developed applications; and cyber security and incident responses.

Based upon the risk-based assessment and review, the ITGCs were determined to be effective.

### ACCOUNTS AND RECORDS

The Company uses PeopleSoft General Ledger System to process and maintain financial accounting records. The Company uses Booke and The Complete Package software program to assist in the preparation of its annual statements. General ledger account balances were reconciled and traced to appropriate asset, liability and income statement lines on the Annual Statements for 2016 and 2017.

### FINANCIAL STATEMENTS

The following statements represent the Company's financial position, as filed by the Company, as of December 31, 2017. No adjustments were made to surplus as a result of the examination.

### ASSETS

	Assets	Non-admitted Assets	Net Admitted Assets
Bonds	\$5,756,123		\$5,756,123
Cash, cash equivalents and short-term investments	5,759,151		5,759,151
Investment income due and accrued	72,272		72,272
Net deferred tax asset	203,642	\$203,642	0
Total assets excluding Separate Accounts, Segregated accounts and Protected Cell Accounts	11,791,188	203,642	11,587,546
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0		0
<b>Total</b>	<b><u>\$11,791,188</u></b>	<b><u>\$203,642</u></b>	<b><u>\$11,587,546</u></b>

HARTFORD INTERNATIONAL LIFE REASSURANCE CORPORATION

LIABILITIES, SURPLUS AND OTHER FUNDS

Current federal and foreign income taxes	\$91,356
Miscellaneous liabilities:	
Asset valuation reserve	16,950
Total liabilities excluding Separate Accounts	108,306
From Separate Accounts Statement	0
Total liabilities	108,306
Common capital stock	2,500,000
Gross paid in and contributed surplus	8,220,700
Unassigned funds (surplus)	758,539
Surplus	8,979,239
Total surplus and other funds	11,479,239
Total liabilities and surplus	<u>\$11,587,546</u>

SUMMARY OF OPERATIONS

Net investment income	\$260,747
Total	260,747
Aggregate write-ins for deductions	292
Net gain from operations before dividends to policyholders and federal income taxes	260,455
Net gain from operations after dividends to policyholders and before federal income taxes	260,455
Federal and foreign income taxes incurred	(448,542)
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	708,997
Net realized capital gains (losses) less capital gains tax	6,613
Net income	<u>\$715,610</u>

HARTFORD INTERNATIONAL LIFE REASSURANCE CORPORATION

CAPITAL AND SURPLUS ACCOUNT

Capital and surplus, December 31, prior year	\$10,764,534
Net income	715,610
Change in net deferred income tax	(1,039,586)
Change in nonadmitted assets	1,041,013
Change in asset valuation reserve	(2,331)
Net change in capital and surplus for the year	714,705
Capital and surplus, December 31, current year	<u>\$11,479,239</u>

COMMON CAPITAL STOCK \$2,500,000

As of December 31, 2017, the Company had 1,000,000 shares of capital stock issued, authorized and outstanding, with a par value of \$2.50. All shares are owned by HLIHC.

GROSS PAID IN AND CONTRIBUTED SURPLUS \$8,220,700

The following exhibit reflects the balance of this account during the period under review:

2017	\$ 8,220,700
2016	\$ 8,220,700
2015	\$ 8,220,700
2014	\$83,220,700
2013	\$83,220,700

Due to the recapture and termination of the reinsurance agreements in 2015, as described in the "Territory and Plan of Operation" section of this Report, the Company's gross paid-in and contributed surplus decreased by \$75 million.

UNASSIGNED FUNDS (SURPLUS) \$758,539

The following exhibit reflects the balance of this account during the period under review:

2017	\$ 758,539
2016	\$ 43,834
2015	\$ 78,291
2014	\$4,971,007
2013	\$2,485,675

The decrease in the Company's surplus in 2015, was similarly affected by the recapture and termination of its reinsurance agreements with HLIC.

## HARTFORD INTERNATIONAL LIFE REASSURANCE CORPORATION

### CONCLUSION

The results of this examination disclosed that, as of December 31, 2017, the Company reported admitted assets of \$11,587,546, liabilities of \$108,306, and surplus of \$11,479,239. During the period under examination, admitted assets decreased \$1,115,995,875, liabilities decreased \$1,043,394,674, and surplus as regards policyholders decreased \$72,601,202.

### SUBSEQUENT EVENT

On May 31, 2018, HFSG completed the sale of Talcott Resolution Inc., its run-off life and annuity businesses, to a group of investors led by Cornell Capital LLC, Atlas Merchant Capital LLC, TRB Advisors LP, Global Atlantic Financial Group, Pine Brook, and J. Safra Group. Under the terms of the purchase and sale agreement, the investor group formed Hopmeadow Holdings, LP, a limited partnership that acquired HLI and its life and annuity insurance operating subsidiaries, HLIC, HLAN, AMLIC, and HILRe. HFSG received a 9.7% equity interest in the acquiring company.

Upon the close of the sale, HLI was renamed Talcott Resolution Life, Inc., HLIC was renamed Talcott Resolution Life Insurance Company, HLAN was renamed Talcott Resolution Life and Annuity Insurance Company, HILRe was renamed Talcott Resolution International Life Reassurance Corporation, otherwise collectively known as Talcott Resolution. Talcott Resolution did not change the name of AMLIC. In April 2018, HLIHC was dissolved, resulting in HLAN, AMLIC and HILRe becoming direct subsidiaries of Talcott Resolution Life Insurance Company.

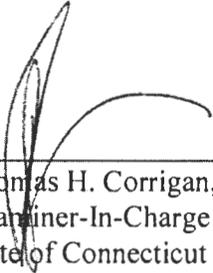
HARTFORD INTERNATIONAL LIFE REASSURANCE CORPORATION

SIGNATURE

In addition to the undersigned, the following members of the Department participated in the examination: Cecilia Arnold, CFE; Wanchin Chou, FCAS, MAAA, CPCU, CSPA; Manuel V. Hidalgo, FSA, MAAA, CFA; Grace Jiang, CFE; Kent Krajick, CFE; Daniel Levine, AFE, CPA; Robert Linnell, CFE; Mark Murphy, CFE; Kenneth Roulier, AFE, AES, CISA; and the professional services firms of Baker Tilly, Jennan and RRC.

I, Thomas H. Corrigan, CFE, solemnly swear that the foregoing report on examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2017, to the best of my information, knowledge and belief.

Respectfully submitted,



Thomas H. Corrigan, CFE  
Examiner-In-Charge  
State of Connecticut  
Insurance Department

State of Connecticut

ss. Hartford

County of Hartford

Subscribed and sworn to before me,  
Notary Public on this

Nancy M. Mercier  
26<sup>th</sup> day of March, 2019.

Nancy M. Mercier  
Notary Public

My Commission Expires 6/30/2020