



# 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 Life and Annuity Insurance Company (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. "

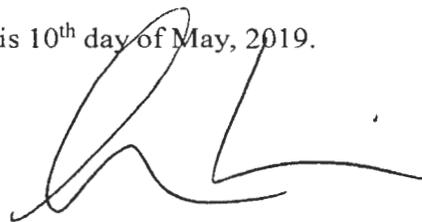
Please address the certification to the Commissioner, but send said certification to the care/attention of Mark Murphy, Supervising Examiner, of the Financial Regulation Division.

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.



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Andrew N. Mais  
Insurance Commissioner

Exhibit A

EXAMINATION REPORT

OF THE

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY  
(NAIC # 71153)

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 LIFE AND ANNUITY INSURANCE COMPANY

(hereinafter referred to as the Company or HLAN), 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 LIFE AND ANNUITY INSURANCE COMPANY

## 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), American Maturity Life Insurance Company (AMLIC), and Hartford International Life Reassurance Corporation (HILRe).

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.

## HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

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

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

In 1956, the Company was incorporated in the State of Wisconsin as National Insurance Corporation. Since its initial incorporation the Company's name was changed several times until the adoption of its present name effective January 1, 1998. Effective May 1, 1996, the Company, pursuant to Section 38a-58a of the CGS, re-domesticated to Connecticut.

In June 1995, ownership of Lyndon Insurance Company (Lyndon) and ITT Lyndon International (Lyndon International) were transferred from ITT Corporation to ITT Hartford Group, Inc. through a capital contribution. Lyndon was subsequently merged into the Company, the surviving company. The Company indirectly owned the stock of the Bermuda domiciled insurance company, Hartford Life, LTD. (HLI), formerly Lyndon International. In April 2016, the Company distributed its ownership of HLI to the Company's parent HLIC.

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 is wholly owned by HLIC, which was wholly owned by HLAC. HLAC was wholly owned by HLI, which in turn, was wholly owned by Hartford Holdings. The ultimate parent was HFSG.

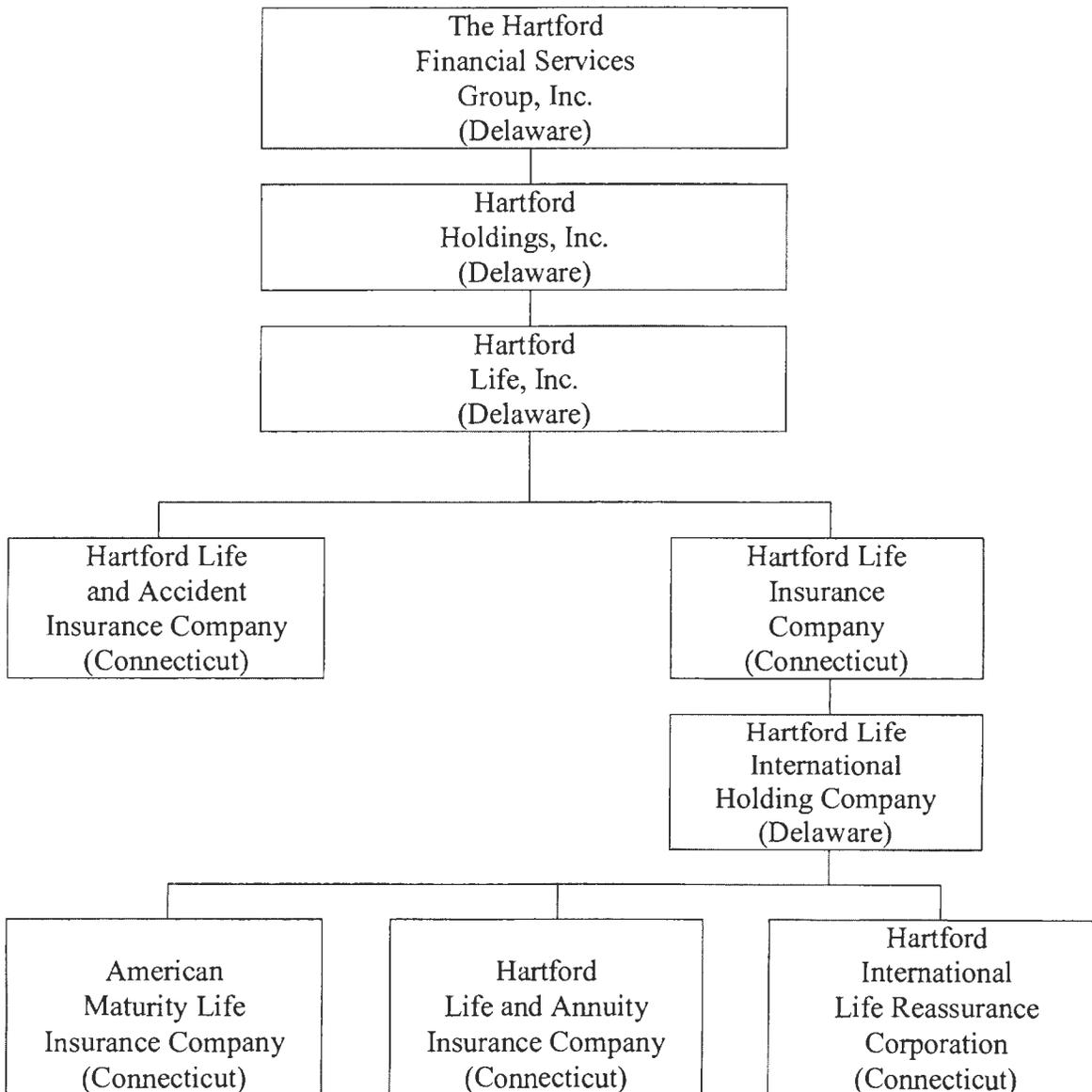
On May 21, 2009, the Company formed White River Life Reinsurance Company (WRR), a Vermont domiciled entity. On October 30, 2009, 100% of the issued and outstanding shares of WRR were distributed up through its parent companies ultimately becoming a subsidiary of HFSG.

## HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

On April 1, 2016, HLAC sold AMLIC 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 collectively known as Talcott Resolution. The Company is 100% owned by HLIHC and is part of a holding company structure in which the ultimate parent company, HFSG is publicly traded.

### ORGANIZATION CHART

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



# HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

## 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 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, HLAN
Robert W. Paiano	Executive Vice President and Chief Risk Officer, HLAN
Matthew J. Poznar	Senior Vice President and Director, HLAN

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, Chief Financial Officer and Chief Accounting Officer
Sabra R. Purtill	Senior Vice President and Treasurer
Michael R. Hazel	Vice President and Controller
Craig D. Morrow	Vice President and Appointed Actuary
Lisa S. Levin	Corporate Secretary

## HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

### 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.

## HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

### 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, 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 authorized to write life, variable life, variable annuities, and accident and health policies in all states except New York, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. The Company offered a complete line of fixed and variable annuities, universal, variable, and traditional individual life insurance and benefit products such as disability insurance.

In March 2012, HFSG announced that it would focus on its property/casualty, group benefits and mutual fund businesses. HFSG placed its existing individual annuity business into runoff and pursued the sale of its individual life and retirement businesses including Woodbury Financial Services, its broker-dealer. Talcott Resolution was formed to oversee the life run-off segment, to manage risk, maximize capital efficiency, and optimize profitability. As a result, HLIC, HLAN, AMLIC, and HILRe are all in run-off and do not write new business. HLAC is the only Hartford Life company that continues to write business.

### REINSURANCE

#### Reinsurance Assumed

The Company's participation in assumed reinsurance primarily consists of life and annuity business assumed on a coinsurance basis from Time Insurance Company, John Alden Life Insurance Company and Union Security Insurance Company

#### Reinsurance Ceded:

The majority of the Company's direct written insurance premiums consists of individual life business which is 100 % ceded, mostly to Prudential Insurance Company of America. This reinsurance treaty was entered into on January 2, 2013.

## HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

### 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.

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 Statement for 2016 and 2017.

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

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	\$3,696,842,335		\$3,696,842,335
Stocks:			
Preferred stocks	2,466,654		2,466,654
Common stocks	71,372,294		71,372,294
Mortgage loans on real estate: First liens	464,673,234		464,673,234
Cash, cash equivalents and short-term investments	547,296,441		547,296,441
Contract loans	106,560,855		106,560,855
Derivatives (Schedule DB)	143,250,641		143,250,641
Other invested assets (Schedule BA)	38,241,872	\$3,262,595	34,979,277
Receivable for securities	21,185,694		159,353,343
Securities lending reinvested collateral assets (Schedule DL)	119,613,212		119,613,212
Aggregate write-ins for invested assets	16,646,258		16,646,258
Investment income due and accrued	220,854,519		220,854,519
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	157,488		157,488
Reinsurance:			
Amounts recoverable from reinsurers	8,863,400		8,863,400
Other amounts receivable under reinsurance contracts	43,104,127		43,104,127
Current and foreign income tax recoverable and interest thereon	199,286,336	2,160,604	197,125,732
Net deferred tax asset	445,746,484	315,490,484	130,256,000
Guaranty funds receivable or on deposit	363,597		363,597
Health care and other receivables	5,982		5,982
Aggregate write-ins for other than invested assets	45,684,277	10,217,370	35,466,907
Total assets excluding Separate Accounts, Segregated accounts and Protected Cell Accounts	6,192,215,701	331,131,052	5,861,084,649
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	30,517,487,239		30,517,487,239
Total	<u>\$36,709,702,940</u>	<u>\$331,131,052</u>	<u>\$36,378,571,888</u>

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for life contracts	\$3,444,599,142
Aggregate reserve for accident and health contracts	16,495,768
Liability for deposit-type contracts	513,032,575
Contract claims:	
Life	34,842,754
Accident and health	338,479
Policyholders' dividends	2,359
Provision for policyholders' dividends and coupons payable in following calendar year:	
Dividends apportioned for payment	391,406
Premiums and annuity considerations for life and accident and health contracts received in Advance	197,942
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	348,934
Other amounts payable for reinsurance	43,678,211
Interest maintenance reserve	20,387,011
Commissions to agents due or accrued	28,397,299
General expenses due or accrued	12,310,734
Transfers to Separate Accounts due or accrued	(89,645,622)
Taxes, licenses and fees due or accrued	8,594,633
Unearned investment income	3,508,706
Amounts withheld or retained by company as agent or trustee	5,348,315
Amounts held for agents account	27,254
Remittances and items not allocated	45,472,881
Miscellaneous liabilities:	
Asset valuation reserve	34,894,589
Payable to parent, subsidiaries and affiliates	13,126,682
Drafts outstanding	61,336,802
Derivatives	80,157,499
Payable for securities	34,588,779
Payable for securities lending	119,613,212
Aggregate write-ins for liabilities	290,066,618
Total liabilities excluding Separate Accounts	4,722,112,961
From Separate Accounts Statement	30,517,487,239
Total liabilities	35,239,600,200
Common capital stock	2,500,000
Aggregate write-ins for other than special surplus funds	197,246,618
Gross paid in and contributed surplus	604,729,448
Unassigned funds (surplus)	334,495,622
Surplus	1,136,471,688
Total surplus and other funds	1,138,971,688
Total liabilities and surplus	<u>\$36,378,571,888</u>

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and accident and health contracts	\$229,944,396
Net investment income	190,038,803
Amortization of Interest Maintenance Reserve (IMR)	7,339,792
Commissions and expense allowances on reinsurance ceded	50,225,342
Reserve adjustments on reinsurance ceded	(417,797,985)
Miscellaneous income:	
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	603,735,208
Aggregate write-ins for miscellaneous income	76,229,173
Total	739,714,729
Death benefits	13,998,694
Matured endowments	29,360
Annuity benefits	275,644,733
Disability benefits and benefits under accident and health contracts	902,749
Surrender benefits and withdrawals for life contracts	3,751,789,440
Interest and adjustments on contracts or deposit-type contract funds	38,404,146
Payment on supplementary contracts with life contingencies	1,895,437
Increase in aggregate reserves for life and accident and health contracts	(162,421,037)
Totals	3,920,243,522
Commissions on premiums, annuity considerations and deposit-type contract funds	171,305,338
Commissions and expense allowances on reinsurance assumed	7,253,062
General insurance expenses	123,184,418
Insurance taxes, licenses and fees, excluding federal income taxes	(3,585,449)
Increase in loading on deferred and uncollected premiums	468,242
Net transfers to or (from) Separate Accounts net of reinsurance	(3,630,136,263)
Aggregate write-ins for deductions	(119,248,737)
Totals	469,484,131
Net gain from operations before dividends to policyholders and federal income taxes	270,230,598
Dividends to policyholders	(26,618)
Net gain from operations after dividends to policyholders and before federal income taxes	270,257,216
Federal and foreign income taxes incurred	(49,931,703)
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	320,188,919
Net realized capital gains (losses) less capital gains tax	(149,376,830)
Net income	<u>\$170,812,089</u>

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

CAPITAL AND SURPLUS ACCOUNT

Capital and surplus, December 31, prior year	\$1,913,758,348
Net income	170,812,089
Change in net unrealized capital gains (losses)	(109,722,809)
Change in unrealized foreign exchange capital gain (loss)	(14,980,534)
Change in net deferred income tax	(219,472,794)
Change in nonadmitted assets	421,814,284
Change in asset valuation reserve	1,117,643
Surplus adjustment:	
Paid in	1,235,984
Dividends to stockholders	(1,000,000,000)
Aggregate write-ins for gains and losses in surplus	(25,590,524)
Net change in capital and surplus for the year	(774,786,660)
Capital and surplus, December 31, current year	<u>\$1,138,971,688</u>

## HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

### SEPARATE ACCOUNTS

The Company has established separate accounts to which it allocates certain amounts received under variable life and variable annuity business. The Company, through its general and separate accounts, offers individual and group variable life insurance and individual variable annuity products. Compensation is earned in the form of investment management fees, investment margin and asset value expense charges.

The separate accounts financial statement as of December 31, 2017, is as follows:

#### ASSETS

	General Account Basis	Fair Value Basis	Total
Common stocks		\$30,231,517,429	\$30,231,517,429
Cash and cash equivalents		270,733,274	270,733,274
Subtotals-cash and invested assets		\$30,502,250,703	\$30,502,250,703
Receivables for securities		15,232,477	15,232,477
Aggregate write-ins for other than invested assets		4,058	4,058
Total		<u>\$30,517,487,238</u>	<u>\$30,517,487,238</u>

#### LIABILITIES AND SURPLUS

	General Account Basis	Fair Value Basis	Total
Aggregate reserve for life, annuity and accident and health contracts		\$30,404,420,779	\$30,404,420,779
Other transfers to general account due or accrued		116,533,177	116,533,177
Remittances and items not allocated		4,287	4,287
Payable for securities		(3,471,005)	(3,471,005)
Total liabilities		30,517,487,238	30,517,487,238
Totals		<u>\$30,517,487,238</u>	<u>\$30,517,487,238</u>

## HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

<u>AGGREGATE RESERVE FOR LIFE CONTRACTS</u>	<u>\$3,444,599,142</u>
<u>AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS</u>	<u>\$16,495,768</u>
<u>LIABILITY FOR DEPOSIT-TYPE CONTRACTS</u>	<u>\$513,032,575</u>
<u>CONTRACT CLAIMS:</u>	
<u>LIFE</u>	<u>\$34,842,754</u>
<u>ACCIDENT AND HEALTH</u>	<u>\$338,479</u>

The Department retained RRC to conduct an assessment of the Company's reserving, reinsurance and liquidity risks as of December 31, 2017. Consistent with the risk focused surveillance approach to the examination, RRC relied upon analyses and tests documented by the Company and in the working papers of D&T. Reviews of the Company's primary lines of business were conducted to determine whether the Company's reserves were established in accordance with minimum standards for the valuation of liabilities specified in the Actuarial Guidelines and applicable Actuarial Standards of Practice. In performing the reserve review and analysis, RRC conducted the following:

- reviewed and analyzed statutory Annual Statements from 2013 through 2017;
- met with Company management to understand the business of the Company, its procedures governing actuarial calculations, its approach to risk management, and its likely areas of financial and business risk;
- reviewed tests performed by the Company's actuaries and D&T and performed independent supplemental reserve calculations;
- reviewed experience study information compiled and provided by the Company in support of the major assumptions used in the asset to liability analysis; and
- reviewed and analyzed the Company's Statement of Actuarial Opinion and Actuarial Memorandum for the years covered under the examination.

### Assessment of Reserve Risk

RRC was engaged by the Department to form a conclusion regarding the risk that actual losses or other contractual payments reflected in the corresponding reserves will be greater than the carried liabilities. For some products or exposures, this risk includes a consideration that reserves plus future revenue, less expenses, will be insufficient to pay future benefits. RRC reviewed the SOX related controls regarding the claim liability and reserving processes. Various tests were performed to verify the appropriateness of the processes and the actual calculations for the policy reserves, claim reserves and the contract claims liabilities. RRC verified that the reported reserves and liabilities were consistent with those calculated by the Company's actuaries, and the results of their analysis show that the reported liability was sufficient to cover the expected future claims.

### Assessment of Reinsurance Arrangements

A review of key reinsurance treaties and other related Company descriptions of its significant assumed and ceded reinsurance agreements was performed and compared to Schedule S of the Company's annual statement. The review also included an evaluation of reinsurance reserve implications. Reinsurance agreements providing significant coverage and material reserve credits were evaluated to ensure compliance with risk transfer requirements.

## HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

### Assessment of Liquidity Risk

RRC conducted testing to form a conclusion regarding the ability of the Company to meet contractual obligations as they become due because of an inability to liquidate assets or obtain adequate funding without incurring unacceptable losses. Based on a review of the Actuarial Memorandum and other analyses of the Company's assets and liabilities, RRC concluded that liquidity risk does not appear to be a major concern for the Company.

### Conclusion

Based upon the risk focused assessment and review, no material findings were noted which affected the Company's reserving, liquidity and reinsurance risks.

COMMON CAPITAL STOCK \$2,500,000

As of December 31, 2017, the Company had 3,000 authorized shares of capital stock with 2,000 shares issued and outstanding, with a par value of \$1,250. All shares are owned by HLIHC.

AGGREGATE WRITE-INS FOR OTHER THAN SPECIAL SURPLUS FUNDS \$197,246,618

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

2017	\$197,246,618
2016	\$222,837,141
2015	\$252,083,454
2014	\$315,634,232
2013	\$356,288,911

GROSS PAID IN AND CONTRIBUTED SURPLUS \$604,729,448

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

2017	\$ 604,729,448
2016	\$ 603,493,466
2015	\$ 604,455,820
2014	\$1,605,527,920
2013	\$1,724,153,661

In 2015 the Company paid a \$1 billion cash dividend to HLIC which was recorded as a return of capital.

## HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

### UNASSIGNED FUNDS (SURPLUS)

\$334,495,622

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

2017	\$334,495,622
2016	\$1,084,927,740
2015	\$1,766,242,402
2014	\$1,485,234,878
2013	\$ 997,664,886

Changes to the balance of this account were related to dividends paid to its parent and the ceded reinsurance transaction described in the “Reinsurance” section above.

### CONCLUSION

The results of this examination disclosed that, as of December 31, 2017, the Company reported admitted assets of \$36,378,571,888, liabilities of \$35,239,600,200, and surplus of \$1,138,971,688. During the period under examination, admitted assets decreased \$29,332,124,113, liabilities decreased \$27,444,881,412, and surplus as regards policyholders decreased \$1,887,242,701.

### 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 HLIC.

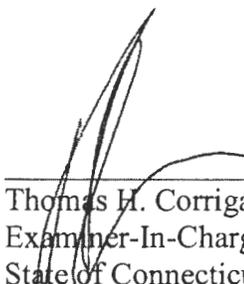
HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

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,



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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, Nancy M. Mercier  
Notary Public on this 8<sup>th</sup> day of May, 2019.

Nancy M. Mercier  
Notary Public

My Commission Expires June 30, 2020