



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

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In the Matter of:

PROPOSED ACQUISITION OF CONTROL OF

HARTFORD LIFE INSURANCE COMPANY, ET AL.

Docket No. EX18-05

by

HOPMEADOW HOLDINGS, LP, ET AL.  
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### ORDER

I, Katharine L. Wade, Insurance Commissioner of the State of Connecticut, having attended the public hearing in the above-captioned matter, do hereby adopt the findings and recommendations of Timothy Curry, Hearing Officer, which are contained in the attached Proposed Final Decision, dated May 24, 2018, and issue the following order,

TO WIT;

1. The Application under which the Applicants seek approval to acquire control of the Domestic Insurers is hereby approved.
2. The Applicants and each of the Domestic Insurers shall conduct their operations consistent with the representations, disclosures and commitments as set forth in the record of this proceeding and proposed final decision.
3. The Applicants shall provide the Department with written confirmation of the consummation of the Proposed Acquisition of control by the end of the month in which the acquisition takes place.
4. The Applicants shall provide the Department with written details of the final purchase price after all adjustments used to complete the Proposed Acquisition.
5. The Applicants shall abide by the terms of the Capital Management Plan executed on May 2, 2018.
6. The Applicants shall provide the Department with the names and titles of those individuals who will be responsible for the filing an amended Insurance Holding Company system Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.

7. Within fifteen (15) days following the end of the month in which the Proposed Acquisition is consummated, the Domestic Insurers shall file an amended Insurance Holding Company System Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.

8. For the period of two (2) years from the Closing of the Proposed Acquisition, the Applicants shall file semiannually with the Department, commencing six months from the consummation of the Proposed Acquisition, a report under oath of its business operations in Connecticut, including but not limited to, integration process, transition of services, any change of business of the Domestic Insurers, changes in offices or office locations of the Domestic Insurers, and notice of any statutory compliance or regulatory actions taken by other state regulatory authorities against the Applicants or Domestic Insurers.

9. Within thirty (30) days following the end of the month in which the Proposed Acquisition is consummated, the Applicants shall request that the Commissioner waive the requirements set forth in General Statutes § 38a-136 (i) (1) with respect to the Domestic Insurers undergoing a financial market conduct examination within thirty (30) days following the Proposed Acquisition.

10. Each of the Domestic Insurers shall, at all times, maintain its books and records in Connecticut pursuant to General Statutes § 38a-57 unless otherwise approved by the Commissioner.

11. If the Proposed Acquisition is not consummated within three (3) months of the date of this Order and the Applicants intend to consummate the Proposed Acquisition, the Applicants shall submit to the Commissioner a statement, which shall include (i) the reason for the Applicants inability to consummate the Proposed Acquisition; (ii) any material changes in the information contained in the Application; and (iii) the current financial statements of the Applicants and the Domestic Insurers.

12. The Applicants shall pay any expenses incurred by the Commissioner in connection with the Department's review of the Application pursuant to General Statutes § 38a-132 (c).

Dated at Hartford, Connecticut, this 24th day of May, 2018.



Katharine L. Wade  
Katharine L. Wade  
Insurance Commissioner



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### PROPOSED FINAL DECISION

#### I. INTRODUCTION

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 GP Ltd, Robert E. Diamond, Jr., David I. Schamis, Cornell Capital Partners III LP and Atlas Merchant Capital Fund LP (collectively, "Applicants") seek the approval of the Insurance Commissioner of the State of Connecticut for the proposed acquisition of control ("Proposed Acquisition") of Hartford Life Insurance Company, Hartford Life and Annuity Insurance Company, Hartford International Life Reassurance Corporation and American Maturity Life Insurance Company, each a Connecticut domestic insurer (collectively, "Domestic Insurers") pursuant to a Second Amended and Restated Form A dated April 17, 2018 filed with the Connecticut Insurance Department ("Department") in accordance with General Statutes § 38a-130 and section 38a-138-6 of the Regulations of Connecticut State Agencies. Each of the Domestic Insurers is an indirect wholly owned subsidiary of Hartford Holdings, Inc., a Delaware corporation. Hartford Holdings, Inc. is indirectly owned by The Hartford Financial Services Group, Inc., a Delaware corporation and publicly traded insurance holding company ("HFSG").

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**P.O. Box 816 Hartford, CT 06142-0816**

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The Proposed Acquisition will be effected pursuant to the terms of a Stock and Asset Purchase Agreement (“Agreement”) dated as of December 3, 2017, by and among Hartford Holdings, Inc., The Hartford Financial Services Group, Inc., Hopmeadow Acquisition, Inc., Hopmeadow Holdings, LP and Hopmeadow Holdings GP LLC.

The Insurance Commissioner (“Commissioner”), is required by General Statutes § 38a-132 and section 38a-138-6 of the Regulations of Connecticut State Agencies to hold a public hearing on the Proposed Acquisition of the Domestic Insurers within thirty days after the Commissioner determines that the Application is complete in all respects. In this regard, the Department staff reviewed the Application and thereafter requested the Applicants to file supplemental information. On April 17, 2018, the Applicants filed a Second Amended and Restated Form A Application with the Department which amends and restates portions of the original Form A text and also includes certain new and revised exhibits (“Application”).

Based on a determination that the Application was substantially complete, the Commissioner issued a notice of public hearing dated April 19, 2018, in which she ordered that the public hearing be held on May 17, 2018 concerning the application for approval of the Proposed Acquisition of the Domestic Insurers. The hearing notice was subsequently published in the *Hartford Courant*, once a week for two consecutive weeks. The notice of hearing was also filed by the Department with the Office of the Secretary of State on April 24, 2018 and was published on the Department’s internet website. In accordance with section 38a-8-48 of the Regulations of Connecticut State Agencies, the Applicants and the Domestic Insurers were designated as parties to this proceeding.

On April 20, 2018, the Commissioner appointed the undersigned to serve as Hearing Officer in this proceeding.

On May 17, 2018, the public hearing on the Proposed Acquisition of the Domestic Insurers was held before the undersigned.

William D. Goddard, Esq. and Elizabeth P. Retersdorf, Esq. of Day Pitney, LLP, represented Atlas Merchant Capital Fund LP. Henry Cornell and Emily Pollack of Cornell Capital, LLC, and David I. Schamis and Robert E. Diamond, Jr., of Atlas Merchant Capital, LLC, testified at the public hearing on behalf of the Applicants.

Thomas E. Bartell, Esq., of The Hartford Financial Services Group, Inc., represented The Hartford Financial Services Group, Inc. and the Domestic Insurers. Peter Sannizzaro, of Hartford Life Insurance Company, and Beth Bombara, of The Hartford

Financial Services Group, Inc., testified at the public hearing on behalf of the Domestic Insurers.

The following Department staff participated in the public hearing: Kathy Belfi, Director of Financial Regulation, Joan Nakano, Insurance Supervising Examiner and Jared Kosky, Esq., Counsel to the Insurance Department.

Pursuant to the published hearing notice, the public was given an opportunity to speak at the hearing or to submit written comments on the Application with respect to the issues to be considered by the Commissioner. In this regard, one (1) written comment on the Application was submitted which commented on an aspect of the Proposed Acquisition.

## **II. FINDINGS OF FACT**

After reviewing the exhibits entered into record of this proceeding, and based on the written and oral testimony of the witnesses, the undersigned makes the following findings of facts:

1. Hopmeadow Acquisition, Inc. is a Delaware company that is a wholly owned subsidiary of Hopmeadow Holdings, LP and was formed on November 21, 2017 for the purpose of entering into the Proposed Acquisition. At the Closing of the Proposed Acquisition, Hopmeadow Acquisition, Inc. will acquire Hartford Life, Inc., the parent of the Domestic Insurers. Hopmeadow Acquisition, Inc. conducts no other business.
2. Hopmeadow Holdings, LP is a Delaware limited partnership formed on November 21, 2017 for the purpose of entering into the Proposed Acquisition and conducts no other business.
3. Hopmeadow Holdings GP LLC is a Delaware limited liability company and is the general partner of Hopmeadow Holdings, LP. It was formed on November 27, 2017 for the purpose of entering into the Proposed Acquisition and conducts no other business.
4. 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. It was formed on January 11, 2018 for the purpose of engaging in transactions and activities related to the Proposed Acquisition and conducts no other business.

5. Hopmeadow Cayman GP LLC is a Cayman Islands limited liability company and owner of 100% of the voting stock of Hopmeadow UK Holdings Ltd. It was formed on December 21, 2017 for the purpose of engaging in transactions and activities related to the Proposed Acquisition and conducts no other business.
6. Cornell Capital Partners III LP is a Cayman Islands limited partnership and investment fund that was formed on August 26, 2016.
7. Cornell Capital GP III LP is a Cayman Islands limited partnership and general partner of Cornell Capital Partners III LP and owner of 43% of the voting interest in Hopmeadow Cayman GP LLC and was formed on August 26, 2016.
8. Cornell Capital GP III GP LLC is a Cayman Islands limited liability company and general partner of Cornell Capital GP III LP and was formed on August 18, 2016. It conducts no other business.
9. 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 with a business address of 499 Park Avenue, 21st Floor, New York, NY 10022.
10. Atlas Merchant Capital Fund LP is a Cayman Islands limited partnership and investment fund and was formed on October 20, 2014.
11. AMC Fund GP LP is a Cayman Islands exempted limited partnership and is the general partner of Atlas Merchant Capital Fund LP and owner of 29.4% of the voting interests in Hopmeadow Cayman GP LLC. It was formed on October 20, 2014 and conducts no other business.
12. AMC Special MGP Ltd is a Cayman Islands exempted company and general partner of AMC Fund GP LP. It was formed on October 17, 2014 and conducts no other business.
13. AMC Fund MGP LP is a Cayman Islands limited partnership and general partner of AMC Fund GP LP. It was formed on October 20, 2014 and conducts no other business.
14. AMC MGP GP Ltd is a Cayman Islands exempted company and general partner of AMC Fund GP LP. It was formed on October 17, 2014 and conducts no other business.

15. Robert E. Diamond, Jr. is Founding Partner and Chief Executive Officer of Atlas Merchant Capital LLC with a business address of 375 Park Avenue, 21st Floor, New York, NY 10152.
16. David I. Schamis is Founding Partner and Chairman of the Investment Committee at Atlas Merchant Capital LLC with a business address of 375 Park Avenue, 21st Floor, New York, NY 10152.
17. The Domestic Insurers are all indirect, wholly owned subsidiaries of Hartford Holdings, Inc., a Delaware corporation ("Seller"). The Hartford Financial Services Group, Inc. ("HFSG") is the parent of the Seller.
18. The business address of the Domestic Insurers is One Hartford Plaza, Hartford, CT 06155.
19. As of May 2, 2018, Hartford Life, Inc., the parent of the Domestic Insurers, together with its subsidiaries, employs approximately 315 people located in Connecticut.
20. Hartford Life Insurance Company is currently authorized to conduct accident and health, life non participating, life participating, variable life non participating and variable annuities business in 50 states and the District of Columbia and has been engaged in the sale of insurance products since 1979.
21. Hartford Life and Annuity Insurance Company is currently authorized to conduct accident and health, life non participating, life participating, variable life non participating, variable life participating and variable annuities business in 49 states and the District of Columbia and has been engaged in the sale of insurance products since 1965.
22. Hartford International Life Reassurance Company is currently authorized to conduct accident and health, reinsurance, life non participating, variable life non participating and variable annuities business in 18 states and the District of Columbia and has been engaged in the sale of insurance products since 1987.
23. American Maturity Life Insurance Company is currently authorized to conduct accident and health, life non participating and variable annuities business in 50 states and the District of Columbia and has been engaged in the sale of insurance products since 1973.
24. 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 connection with the

Proposed Acquisition. All investors (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 (included in the Application) pursuant to which each such investor has agreed to make an equity investment at the Closing in an amount equal to such investor's commitment.

25. On December 3, 2017, the parties entered into a Stock and Asset Purchase Agreement pursuant to which the Seller intends to transfer, among other things, the capital stock of Hartford Life, Inc. to the Applicants. The Applicants will pay the Seller for the shares of common stock of Hartford Life, Inc. and certain other acquired assets cash in the amount of \$2.05 billion minus certain adjustments.
26. The Applicants will acquire the funds necessary to pay the purchase price through equity capital contributions received in a series of transactions contemplated by the Interim Investors Agreement. None of the funds necessary to consummate the Proposed Acquisition will be borrowed from third party sources.
27. Upon completion of the transaction, the Applicants represent that they intend to operate the Domestic Insurers consistent with the management of the business in recent years, that being to continue to run off existing business. The Applicants further represent that the initial focus will be the successful separation of Hartford Life, Inc. from HFSG and standing it up as an independent enterprise (the "New Company"). In the longer term, the New Company is prepared to assess select strategic growth initiatives that complement the New Company's managerial and operating strengths. The Applicants, pursuant to a Capital Management Plan executed on May 2, 2018, also represent that the New Company will remain headquartered in Connecticut and that employee levels will remain consistent with the current staffing levels of the Domestic Insurers for the next four years.
28. Following are the names and titles of the respective directors and executive officers of the Applicants:

**Hopmeadow Acquisition, Inc.**

Does not have any directors or officers.

**Hopmeadow Holdings, LP**

Does not have any directors or officers.

**Hopmeadow Holdings GP LLC**

Name:	Position:
Richard Carbone	Director



Henry Cornell	Director
Gilles Dellaert	Director
Oliver Goldstein	Director
Brion Johnson	Director
Emily Pollack	Director
Michael Rubinoff	Director
Peter F. Sannizzaro	Director
David I. Schamis	Director
Robert Stein	Director
Heath Watkin	Director

**Hopmeadow UK Holdings Ltd.**

Name:	Position:
Henry Cornell	Director

**Hopmeadow Cayman GP LLC**

Does not have any directors or officers.

**Cornell Capital Partners III LP**

Does not have any directors or officers.

**Cornell Capital GP III LP**

Does not have any directors or officers.

**Cornell Capital GP III GP LLC**

Does not have any directors or officers.

**Atlas Merchant Capital Fund LP**

Does not have any directors or officers.

**AMC Fund GP LP**

Does not have any directors or officers.

**AMC Special MGP Ltd**

Name:	Position:
Robert E. Diamond, Jr.	Director
David I. Schamis	Director

**AMC Fund MGP LP**

Does not have any directors or officers.

**AMC MGP GP Ltd**

Name:	Position:
Robert E. Diamond, Jr.	Director
David I. Schamis	Director

29. The biographical affidavits of the members of the board of directors and officers of the Applicants included in the record of this proceeding and the files of the Department describe each individual's educational background, professional credentials, and employment history, and attests to the competence, experience and integrity of those individuals who would control the operation of the Applicants and indirectly the Domestic Insurers after the Proposed Acquisition.
30. Post-Acquisition, the Applicants will retain existing senior management of the Domestic Insurers both through the transition of services and longer term.
31. Following are the names and titles of the proposed directors and executive officers of the Domestic Insurers post Proposed Acquisition:

**Hartford Life Insurance Company**

**Directors**

Name:	Position:
Richard Carbone	Director
Henry Cornell	Director
Gilles Dellaert	Director
Oliver Goldstein	Director
Brion Johnson	Director
Emily Pollack	Director
Michael Rubinoff	Director
Peter F. Sannizzaro	Director
David I. Schamis	Director
Robert Stein	Director
Heath Watkin	Director

**Officers**

Name:	Position:
Jeremy Billiel	Assistant Vice President & Treasurer

Michael R. Hazel	Vice President & Controller
Craig D. Morrow	Vice President & Appointed Actuary
Peter F. Sannizzaro	President & Chief Operating Officer
Robert R. Siracusa	Chief Financial Officer & Vice President
Leslie T. Soler	Corporate Secretary & Assistant Vice President

**Hartford Life and Annuity Insurance Company**

**Directors**

Name:	Position:
Matthew J. Poznar	Director
Peter F. Sannizzaro	Director
Robert R. Siracusa	Director

**Officers**

Name:	Position:
Jeremy Billiel	Assistant Vice President & Treasurer
Michael R. Hazel	Vice President & Controller
Craig D. Morrow	Vice President & Appointed Actuary
Peter F. Sannizzaro	President & Chief Operating Officer
Robert R. Siracusa	Chief Financial Officer & Vice President
Leslie T. Soler	Corporate Secretary & Assistant Vice President

**Hartford International Life Reassurance Corporation**

**Directors**

Name:	Position:
Matthew J. Poznar	Director
Peter F. Sannizzaro	Director
Robert R. Siracusa	Director

**Officers**

Name:	Position:
Jeremy Billiel	Assistant Vice President & Treasurer

Michael R. Hazel	Vice President & Controller
Peter F. Sannizzaro	President & Chief Operating Officer
Robert R. Siracusa	Chief Financial Officer & Vice President
Leslie T. Soler	Corporate Secretary & Assistant Vice President
Zengdi Zhuang	Appointed Actuary

**American Maturity Life Insurance Company**

**Directors**

Name:	Position:
Matthew J. Poznar	Director
Peter F. Sannizzaro	Director
Robert R. Siracusa	Director

**Officers**

Name:	Position:
Jeremy Billiel	Assistant Vice President & Treasurer
Michael R. Hazel	Vice President & Controller
Peter F. Sannizzaro	President & Chief Operating Officer
Robert R. Siracusa	Chief Financial Officer & Vice President
Leslie T. Soler	Corporate Secretary & Assistant Vice President
Zengdi Zhuang	Appointed Actuary

32. The biographical affidavits of the directors and officers of the Domestic Insurers post-acquisition included in the record of this proceeding and the files of the Department describe each individual's educational background, professional credentials, and employment history, and attests to the competence, experience and integrity of those individuals who would control the operation of the Domestic Insurers after the Proposed Acquisition.
33. The Applicants have no plans or proposals to liquidate the Domestic Insurers.
34. Post-closing, the Applicants intend to submit a Division application to the Department for a legacy block of long term group disability insurance associated with the group benefits business that is being retained by HFSG. The Applicants

will also pursue divisions related to two legacy blocks of business previously divested through 100% quota share reinsurance.

35. The Application and testimony reflect that as a result of the separation, the Company will no longer maintain an office location in Hartford, Connecticut, but the Company will be located solely in the existing Windsor, Connecticut location.
36. Included in the Application is a Transition Services Agreement. Currently, HFSG provides certain services (e.g., human resources, finance) to various businesses within its organization, including the Domestic Insurers, through a centralized corporate function model. As a smaller, stand-alone company, the New Company will provide for these corporate services directly and may seek to utilize third-party vendors for some of these services. The New 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. Hartford Investment Management Company, an HFSG affiliate, will continue to act as the investment advisor for the New Company's general account and certain other portfolios but will do so as an unaffiliated third-party vendor. Under the Transition Services Agreement, the primary categories of services identified as being needed by the New Company as of the date of the Application (and their functional areas) are:

Operations	Mail services
Operations	Business resiliency access to other offices
Compliance	Access to HFSG system SOX attestations
Compliance	OFAC/AML services
Technology	Infrastructure and support for direct applications (transferring to the New Company)
Technology	Infrastructure and support for indirect applications (owned by HFSG but leveraged by the Company)
Technology	End user services (PC's, networks, email, connectivity, etc.)
Marketing	Support for content management of website, prospectus distribution, newsletter distribution, etc.)
Investment Mgmt	Investment accounting and operations
Investment Mgmt	Investment management oversight
Investment Mgmt	Investment compliance
Investment Mgmt	Numerix/Derivatives production
Risk/Actuarial	Services being drafted
Tax	Tax information reporting services (TIRU)

37. The Applicants have committed to comply with all requirements under applicable law relating to retention of the Domestic Insurers' books and records within the State and will remain in compliance with the Insurance Department Bulletin FS-2 concerning custody of securities.
38. Except for rights to acquire voting securities provided for or referenced in the Stock and Asset Purchase Agreement or the Interim Investors Agreement, none of the Applicants, their affiliates nor the persons listed in Item 3 of the Application currently intend to acquire any voting securities issued by the Domestic Insurers or any of their current controlling persons.
39. Except for the transaction described in the Application, there are no contracts, arrangements or understandings with respect to any voting security or any security convertible into or evidencing a right to acquire a voting security of the Applicants or the Domestic Insurers involving the Applicants, their affiliates nor any of the persons listed in Item 3 of the Application, including, but not limited to, transfer of any of the securities, joint ventures, loan or option agreements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies.
40. There have been no purchases of any voting securities of the Applicants or the Domestic Insurers by the Applicants, their affiliates or any person listed in Item 3 of the Application during the twelve calendar months preceding the filing of the Application.
41. Except for the Agreement, neither the Applicants, their affiliates nor anyone acting on their behalf have made any recommendations to purchase any voting security of the Domestic Insurers during the twelve calendar months preceding the filing of the Application.
42. There are no agreements, contracts or understandings with any broker-dealer as to solicitation of voting securities of the Domestic Insurers for tender.

### **III. DISCUSSION**

The Insurance Commissioner is required to approve the Proposed Acquisition unless, after a public hearing, she finds that the proposed acquisition of control of the Domestic Insurers would result in any of the conditions set forth in General Statutes § 38a-132 (a) (1) through (6). These conditions will be addressed in turn.

**(1) After the change of control, the Domestic Insurer would not be able to satisfy the requirements for the issuance of a license to write the line or lines of business for which it is presently licensed.**

General Statutes § 38a-132 (a) (1) requires each Domestic Insurer to satisfy the requirements for the issuance of licenses to write the line or lines of business for which it is presently licensed following the proposed acquisition of control. Each Domestic Insurer is currently licensed pursuant to General Statutes § 38a-41 and it satisfies the requirement for the issuance of a license to write the lines of business for which it is licensed. The Applicants, through testimony and submissions, indicate that no changes will be made such that any to the Domestic Insurer would not be able to satisfy the requirements for the issuance of its license.

In addition to the criteria set forth in General Statutes § 38a-72, the Department considers the location of the company's books, records and assets, and the management of the company when evaluating an insurer's ability to operate in this state pursuant to § 38a-41. The Applicants in testimony and submissions have confirmed that books and records will remain in their present location in Connecticut pursuant to General Statutes § 38a-57 and the Applicants confirmed it will remain in compliance with Insurance Department Bulletin No. FS-2 with respect to custody arrangements for securities.

As noted in the findings of fact, the Applicants have no plans or proposals following consummation of the Proposed Acquisition, to liquidate any of the Domestic Insurers, to sell the assets, or merge or consolidate any Domestic Insurer with any other person or entity other than the aforementioned intent to submit Division applications for legacy blocks of business. There are no plans for any Domestic Insurers to enter into any material contract, agreement, arrangement or transaction of any kind with any person or entity. Moreover, based on the information contained in the biographical affidavits for the directors and officers of the Applicants, the competence, experience and integrity of the individuals who will be responsible for the governance and operation of the Domestic Insurers following the consummation of the proposed transaction, are such that the safe and expert operation of each Domestic Insurer will continue following the Proposed Acquisition.

Accordingly, the undersigned hereby finds that the evidence contained in the record supports a finding that each Domestic Insurer will be able to satisfy the

requirements for the issuance of the necessary insurance license for which it is presently licensed following completion of the Proposed Acquisition of control.

**(2) The effect of the merger or other acquisition of control would be to substantially lessen competition of insurance in this state or tend to create a monopoly in Connecticut.**

General Statutes § 38a-132 (a) (2) requires that a proposed transaction shall neither substantially lessen competition nor create a monopoly in the Connecticut insurance market. In evaluating the effect of the proposed acquisition on competition in Connecticut, the Commissioner is required by General Statutes § 38a-132 (a) (2) (A) to consider the information required under General Statutes § 38a-131 (c) (1) and the considerations specified in General Statutes § 38a-131 (d) (1). In this regard, the Commissioner must consider the percentages of market shares of the Applicants and affiliates and the Domestic Insurers and the market in which the insurers compete, as set forth in § 38a-131 (d) (1). If certain quantitative criteria are met, then there is *prima facie* evidence that the competitive standard has been violated. (See § 38a-131 (d) (1)).

General Statutes § 38a-131 (d) (2) defines “market” as the relevant product and geographical markets. In determining the relevant product and geographical markets, § 38a-131 (d) (2) specifies that in the absence of sufficient information to the contrary, the relevant product market shall be the direct written insurance premium for a line of business as used in the annual statement insurers doing business in this State are required to file with the Commissioner, and the relevant geographical market shall be Connecticut.

The Applicants do not own or control any insurance companies that write business in the same lines of business as the Domestic Insurers. Accordingly, the undersigned hereby finds that, based on the evidence contained in the record of this proceeding, the effect of the acquisition of control of the Domestic Insurers by the Applicants will not substantially lessen competition of insurance in this state or tend to create a monopoly in Connecticut.

**(3) The financial condition of the acquiring party is such as might jeopardize the financial stability of the Domestic Insurer or prejudice the interests of its policyholders.**



General Statutes § 38a-132 (a) (3) requires that the financial condition of any acquiring company be in sufficiently sound financial condition so as not to jeopardize the financial stability of the domestic insurer or prejudice the interests of its policyholders. Based on the information entered into the record of this proceeding, including the Application and the testimony of Emily Pollack, the undersigned hereby finds that there is no evidence indicating that the financial condition of the Applicants might jeopardize the financial condition of the Domestic Insurers, or prejudice the interests of its policyholders.

**(4) The plans or proposals of the acquiring party to liquidate the Domestic Insurer, sell its assets or consolidate or merge it with any person, or make any other material change in the business or corporate structure or management, are unfair and unreasonable to policyholders of the Domestic Insurer and not in the public interest.**

General Statutes § 38a-132 (a) (4) requires that an acquiring party not be contemplating any material changes in the business of the domestic insurer that would be unfair and unreasonable to policyholders, or otherwise would not be in the public interest.

The testimony of Emily Pollack noted that, as indicated in the Application, the Applicants' primary strategy for the Domestic Insurers is to continue to run off the existing business consistent with the management of the business in recent years. The initial focus of the Applicants will be the successful separation of the New Company from HFSG and the stand-up of the New Company as an independent enterprise. The Applicants do not have any specific strategic growth initiatives identified, but they have indicated that in the longer term they will assess opportunities to take advantage of the strong talent and operational systems of the New Company when assessing the acquisitions of other closed blocks of business.

Ms. Pollack further testified that after closing the Applicants intend to submit a Division application to the Department for a legacy block of long term group disability insurance associated with the group benefits business that is being retained by The Hartford. The Applicants will also pursue divisions related to two legacy blocks of business previously divested by the Domestic Insurers through 100% quota share reinsurance. If and when applied for, all such planned divisions will be subject to the protections afforded to policyholder under General Statutes § 38a-156r *et seq.*

Accordingly, based on the information entered into the record of this proceeding, the undersigned hereby finds that there are no material plans or proposals for the

Domestic Insurers that are unfair and unreasonable to policyholders of the Domestic Insurers or not in the public interest.

**(5) The competence, experience and integrity of those persons who would control the operation of the Domestic Insurer are such that it would not be in the interest of the policyholders of the Domestic Insurer and of the public to permit the merger or other acquisition of control.**

General Statutes § 38a-132 (a) (5) requires that the competence, experience and integrity of those persons who would control the operation of a domestic insurer post-acquisition be of sufficient quality so as not to be prejudicial or contrary to the interests of the policyholders and of the public. The record includes the biographical affidavits and third party reports of those individuals who serve as members of the board and as officers of the Applicants. The biographical affidavits disclose each individual's education background, professional credentials and their employment history. In addition, the Applicants have represented, and the biographical affidavits confirm, that during the last ten years, none of the directors or officers of the Applicants have been convicted in a criminal proceeding (excluding minor traffic violations) or have been convicted or otherwise penalized for violating any federal or state law regulating the business of insurance, securities or banking. During the last ten years, none of the directors or officers of the Applicants have been the subject of any proceeding under the Federal Bankruptcy Code, or have been affiliated with a business or organization which has been subject to such proceeding.

Furthermore, no director or officer of the Applicants has had a revocation, suspension or disciplinary sanction imposed against him or her by a governmental agency. None of the filed biographical affidavits contain any information that reflects negatively on the integrity of these individuals.

Accordingly, the undersigned hereby finds that the competence, experience, and integrity of those persons who would control the operations of the Domestic Insurers after completion of the Proposed Acquisition are sufficient to indicate that the interests of policyholders of the Domestic Insurers and of the public will not be jeopardized by the Applicants' acquisition of control of the Domestic Insurers.

**(6) The acquisition of control of the Domestic Insurer is likely to be hazardous or prejudicial to those buying insurance.**

General Statutes § 38a-132 (a) (6) requires that a proposed acquisition not be hazardous or prejudicial to the insurance buying public. Based on the financial strength of the Applicants, the commitments contained within the Stock and Asset Purchase Agreement, the competence, experience and integrity of those persons who would control the operation of the Domestic Insurers post-acquisition, the testimony of Emily Pollack and Beth Bombara and the affirmation that the current plans of the Applicants for the Domestic Insurers will not disrupt the Domestic Insurers' current policyholders and will provide a strong and stable financial environment for the Domestic Insurers, the Proposed Acquisition is not likely to be hazardous or prejudicial to those buying insurance.

Accordingly, assuming compliance with the Applicants' commitments as set forth in the record and with all of Connecticut's insurance statutes and regulations, the undersigned hereby finds that it is reasonable to conclude that the Proposed Acquisition is not likely to be hazardous or prejudicial to those buying insurance.

#### **IV. RECOMMENDATION**

Based on the foregoing findings of fact and the discussion, the written and oral testimony and exhibits submitted to the Department, and the record of the May 17, 2018 public hearing, the undersigned hereby concludes that no condition justifying disapproval listed in General Statutes § 38a-132 (a) is present with respect to completion of the Proposed Acquisition. Accordingly, the undersigned recommends that the Insurance Commissioner find, pursuant to § 38a-132 (a) that after the Proposed Acquisition of control (i) each Domestic Insurer will be able to satisfy the requirements for the issuance of a license for the lines of business for which it is presently licensed; (ii) the effect of the acquisition of control will not substantially lessen competition of insurance in this state or tend to create a monopoly therein; (iii) the financial condition of the Applicants is not such as might jeopardize the financial stability of any Domestic Insurer or prejudice the interests of the policyholders; (iv) the Applicants plans or proposals for the Domestic Insurers are not unfair and unreasonable to the policyholders of the Domestic Insurers and are in the public interest; (v) the competence, experience and integrity of the management of the Applicants and Domestic Insurers are such that it would be in the interest of the policyholders of the Domestic Insurers and of the public to permit the Proposed Acquisition; and (vi) completion of the Proposed Acquisition is not likely to be hazardous or prejudicial to those buying insurance.

Accordingly, the undersigned recommends that the Commissioner issue the following orders:

1. The Application under which the Applicants seek approval to acquire control of the Domestic Insurers is hereby approved.

2. The Applicants and each of the Domestic Insurers shall conduct their operations consistent with the representations, disclosures and commitments as set forth in the record of this proceeding and proposed final decision.

3. The Applicants shall provide the Department with written confirmation of the consummation of the Proposed Acquisition of control by the end of the month in which the acquisition takes place.

4. The Applicants shall provide the Department with written details of the final purchase price after all adjustments used to complete the Proposed Acquisition.

5. The Applicants shall abide by the terms of the Capital Management Plan executed on May 2, 2018.

6. The Applicants shall provide the Department with the names and titles of those individuals who will be responsible for the filing an amended Insurance Holding Company system Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.

7. Within fifteen (15) days following the end of the month in which the Proposed Acquisition is consummated, the Domestic Insurers shall file an amended Insurance Holding Company System Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.

8. For the period of two (2) years from the Closing of the Proposed Acquisition, the Applicants shall file semiannually with the Department, commencing six months from the consummation of the Proposed Acquisition, a report under oath of its business operations in Connecticut, including but not limited to, integration process, transition of services, any change of business of the Domestic Insurers, changes in offices or office locations of the Domestic Insurers, and notice of any statutory compliance or regulatory actions taken by other state regulatory authorities against the Applicants or Domestic Insurers.

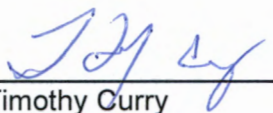
9. Within thirty (30) days following the end of the month in which the Proposed Acquisition is consummated, the Applicants shall request that the Commissioner waive the requirements set forth in General Statutes § 38a-136 (i) (1) with respect to the Domestic Insurers undergoing a financial market conduct examination within thirty (30) days following the Proposed Acquisition.

10. Each of the Domestic Insurers shall, at all times, maintain its books and records in Connecticut pursuant to General Statutes § 38a-57 unless otherwise approved by the Commissioner.

11. If the Proposed Acquisition is not consummated within three (3) months of the date of this Order and the Applicants intend to consummate the Proposed Acquisition, the Applicants shall submit to the Commissioner a statement, which shall include (i) the reason for the Applicants inability to consummate the Proposed Acquisition; (ii) any material changes in the information contained in the Application; and (iii) the current financial statements of the Applicants and the Domestic Insurers.

12. The Applicants shall pay any expenses incurred by the Commissioner in connection with the Department's review of the Application pursuant to General Statutes § 38a-132 (c).

Dated at Hartford, Connecticut, this 24<sup>th</sup> day of May, 2018.

  
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Timothy Curry  
Hearing Officer