



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

NOTICE OF (I) REHABILITATION ORDER, (II) MORATORIUM MOTION, (III) TEMPORARY MORATORIUM ORDER, AND (IV) ALL OTHER MATTERS

On May 20, 2024, the Connecticut Superior Court for the Judicial District of Hartford (the “Court”) entered an Order in Case No. HHD-CV24-6185151 (the “Rehabilitation Order”) placing PHL Variable Insurance Company (“PHL”) and its wholly-owned subsidiaries, Concord Re, Inc. (“Concord”) and Palisado Re, Inc. (“Palisado,” together with PHL and Concord, the “Companies”), into rehabilitation. The Rehabilitation Order appointed the Honorable Andrew N. Mais, Insurance Commissioner of the State of Connecticut, as Rehabilitator.

On the same day, the Court entered (a) an Order (the “Temporary Moratorium Order”) (i) imposing a moratorium on certain benefit payments and transactions under PHL’s policies¹ until a further Hearing (as defined below) can be held on the Rehabilitator’s motion for moratorium (the “Moratorium Motion”) and (ii) authorizing the Rehabilitator to make limited payments to policyholders as set forth in the Moratorium Motion during the period between the date of the Rehabilitation Order and the confirmation of a rehabilitation plan (the “Interim Period”); and (b) an Order (the “Notice Order”) approving the form and manner of notice of the Rehabilitation Order, the Moratorium Motion, the Temporary Moratorium Order and all other matters leading up to a hearing on any future rehabilitation plan for the Companies (if applicable).

The Temporary Moratorium Order scheduled a hearing on approval of the Moratorium Motion on a final basis for **June 25, 2024 at 9:30 a.m., prevailing Eastern Time (the “Hearing”)**. Any interested party who wishes to submit a formal response to the Moratorium Motion must apply for and be granted the right to intervene by the Court (unless otherwise permitted by law). All other parties who do not have a formal appearance in this proceeding may submit informal comments to the Rehabilitator as provided below.

The Temporary Moratorium Order and any subsequent order granting the Moratorium Motion on a final basis (the “Final Moratorium Order”), as applicable, may affect your rights as follows: The Rehabilitator will not pay benefits or investment obligations under policies issued by PHL (including policies issued by PHL’s Separate Account)² except to the extent provided in

¹ Life insurance policies and annuities are herein referred to as “policies” except where the context otherwise requires.

² Terms used but not defined herein have the meanings ascribed to them in the Motion.

the Temporary Moratorium Order or the Final Moratorium Order, as applicable:

Life Insurance Policies

- a. *General Account – Death Benefits.* Life insurance policies issued by the General Account may receive death benefits equal to the lesser of (x) the amount of death benefits provided under the policy or (y) \$300,000.
- b. *Unitized Subaccounts – Death Benefits.* Life insurance policies issued by the Unitized Subaccounts that are not guaranteed by the General Account may receive variable death benefits paid out of the Unitized Subaccounts in accordance with the terms of the policy. Life insurance policies issued by the Unitized Subaccounts that are guaranteed by the General Account may receive variable death benefits paid out of the Unitized Subaccounts and additional death benefits out of the General Account in accordance with the terms of the policy; provided that amounts payable from the General Account shall not exceed the lesser of (x) the remaining death benefits payable from the General Account or (y) \$300,000. In no event shall a policyholder and/or beneficiary be entitled to more than the amount of death benefits provided under the policy.
- c. *Non-unitized Subaccount – Death Benefits.* Life insurance policies issued by the Non-unitized Subaccount, whether or not guaranteed by the General Account, may receive out of the Non-unitized Subaccount the lesser of (x) the death benefits provided under the policy or (y) \$300,000.
- d. *Unitized Subaccounts – Surrenders, Withdrawals and Loans.* Policyholders with life insurance policies issued by the Unitized Subaccounts will be allowed to exercise surrender, withdrawal and loan options to the extent of the market value of their investment units in the Unitized Subaccounts. If those policyholders also made investments in the Non-unitized Subaccount or the General Account, they will not be allowed to receive surrender payments, withdrawals or policy loans on such investments.
- e. *General Account and Non-unitized Subaccount – Surrenders, Withdrawals and Loans.* Policyholders with life insurance policies issued by the General Account or Non-unitized Subaccount will not be allowed to receive surrender payments, withdrawals or policy loans.
- f. *Aggregate Limit – Life Insurance Policies Covering One Individual.* Neither the General Account nor the Non-unitized Subaccount will individually or together pay more than \$300,000 in the aggregate under one or more life insurance policies covering one individual regardless of who owns the policies or the number of beneficiaries.

Annuities

- g. *Unitized Subaccounts – Recurring Periodic Payments.* Annuities issued by the

Unitized Subaccounts that are not guaranteed by the General Account may receive variable annuity payments in accordance with the terms of the annuity. Annuities issued by the Unitized Subaccounts that are guaranteed by the General Account may receive annuity payments paid out of the Unitized Subaccounts in accordance with the terms of the annuity, and, if they are in payout mode as of the Petition Date, may continue to receive fixed periodic payments, systematic withdrawals and guaranteed lifetime withdrawal benefits that were in place as of the Petition Date (collectively, “Recurring Periodic Payments”) from the General Account; provided that Recurring Periodic Payments payable from the General Account shall not exceed \$250,000 in the aggregate for all annuities covering an individual. Annuities issued by the Unitized Subaccounts that are guaranteed by the General Account but are not in payout mode as of the Petition Date may not exercise the option to commence Recurring Periodic Payments from the General Account; provided, however, that the minimum distributions required under applicable tax laws to be withdrawn from tax deferred retirement accounts (“Required Minimum Distributions”) will be permitted in accordance with the terms of the annuity. Policyholders may not make changes to the amount or frequency of their Recurring Periodic Payments from the General Account during the Interim Period. “Payout mode” means that the annuitant is receiving Recurring Periodic Payments as of the Petition Date according to the books and records of PHL.

- h. *Unitized Subaccounts – Death Benefits.* Annuities issued by the Unitized Subaccounts that have death benefits that are not guaranteed by the General Account will receive variable death benefits paid out of the Unitized Subaccounts in accordance with the terms of the annuity. Annuities issued by the Unitized Subaccounts that have a benefit payable on the death of the annuitant that is guaranteed by the General Account will receive such benefits in accordance with the terms of the annuity; provided that amounts payable from the General Account shall not exceed the lesser of (x) the remaining death benefits payable under the annuity from the General Account or (y) \$250,000 less the amount of previous payments out of the General Account on such annuity after the Petition Date. In no event shall an annuity holder and/or beneficiary be entitled to more than the amount of death benefits provided under the annuity.
- i. *Unitized Subaccounts – Surrenders, Withdrawals and Loans.* Holders of annuities issued by the Unitized Subaccounts will be allowed to exercise surrender, withdrawal and loan options to the extent of the market value of their investment units in the Unitized Subaccounts. If those policyholders also made investments in the Non-unitized Subaccount or the General Account, they will not be allowed to receive surrender payments, withdrawals or policy loans on such investments.
- j. *Non-unitized Subaccount – Recurring Periodic Payments.* Annuities issued by the Non-unitized Subaccount, whether or not they are guaranteed by the General Account, that are in payout mode as of the Petition Date will continue to receive Recurring Periodic Payments up to an aggregate amount of \$250,000 for all annuities covering an individual. These annuity holders may not make changes to

the amount or frequency of their Recurring Periodic Payments during the Interim Period. Annuities issued by the Non-unitized Subaccount that are not in payout mode as of the Petition Date cannot exercise the option to commence Recurring Periodic Payments; provided, however, that Required Minimum Distributions will be permitted in accordance with the terms of the annuity.

- k. *Non-unitized Subaccount – Death Benefits.* Annuities issued by the Non-unitized Subaccount, whether or not they are guaranteed by the General Account, that have a benefit payable on the death of the annuitant will have that benefit paid out of the Non-unitized Subaccount in accordance with the terms of the annuity up to an aggregate amount of \$250,000 less the amount of previous payments from the Non-unitized Subaccount on such annuity after the Petition Date.
- l. *General Account – Recurring Periodic Payments.* Annuities issued by the General Account that are in payout mode as of the Petition Date will continue to receive Recurring Periodic Payments out of the General Account up to an aggregate amount of \$250,000 for all annuities covering an individual. Annuities that are not in payout mode as of the Petition Date cannot exercise the option to commence Recurring Periodic Payments; provided, however, that Required Minimum Distributions will be permitted in accordance with the terms of the annuity. These policyholders may not make changes to the amount or frequency of their Recurring Periodic Payments during the Interim Period.
- m. *General Account – Death Benefits.* Annuities issued by the General Account that have a benefit payable on the death of the annuitant will have that benefit paid in accordance with the terms of the annuity up to an aggregate amount of \$250,000 less the amount of previous payments from the General Account on such annuity after the Petition Date.
- n. *General Account and Non-unitized Subaccount – Lump Sum Payments.* Annuities issued by either the General Account or Non-unitized Subaccount that are currently receiving fixed annuity payments and become entitled to a lump sum payment under the terms of the annuity due to a triggering event (such as the death of the annuitant), will receive the lump sum payment in accordance with the terms of the annuity up to an aggregate amount of \$250,000 less the amount of previous payments on such annuity after the Petition Date.
- o. *General Account and Non-Unitized Subaccount – Surrenders, Withdrawals and Loans.* Holders of annuities issued by the General Account and Non-unitized Subaccount will not be allowed to exercise surrender, withdrawal and loan options.
- p. *Maturity.* Annuities issued by the Unitized Subaccounts that reach maturity will be permitted to elect surrender or annuitization options from the Unitized Subaccounts only. Annuities issued by the General Account and Non-unitized Subaccount that reach maturity will not be permitted to elect surrender or annuitization options but will continue to accumulate value pursuant to the crediting rate and terms of the

annuities as if they had not reached maturity. Holders of annuities issued by the General Account and Non-unitized Subaccount will not be permitted to change the maturity date of their annuities after the Petition Date.

- q. *Aggregate Limit – Annuities Covering One Annuitant.* Neither the General Account nor the Non-unitized Subaccount will individually or together pay more than \$250,000 in the aggregate under one or more annuities covering one annuitant regardless of who owns the annuities or the number of beneficiaries.

Life Insurance Policies and Annuities

- r. *Aggregate Limit – Life Insurance Policy and Annuity Covering One Individual.* Neither the General Account nor the Non-unitized Subaccount will individually or together pay more than \$300,000 in the aggregate for benefits under one or more life insurance policies and one or more annuities covering any one individual regardless of the number and size of policies of life insurance and annuities covering that individual and regardless of who owns the policy or annuity or the number of beneficiaries.
- s. *Reallocation of Investments.* Policyholders will not be permitted to reallocate investments from the General Account to the Separate Account or vice versa during the Interim Period. Policyholders of the Non-unitized Subaccount will not be permitted to reallocate investments within the Non-unitized Subaccount or to either the General Account or the Unitized Subaccounts. Policyholders will be permitted to reallocate investments within the Unitized Subaccounts.
- t. *Allocation of Benefits Under Multiple Policies.* If multiple policies covering one individual have an aggregate amount of life insurance death benefits in excess of \$300,000, annuity payments in excess of \$250,000, or a combination of life insurance death benefits and annuity payments in excess of \$300,000, as applicable, funded by either or both the General Account and Non-unitized Subaccount, the Rehabilitator will determine the allocation of amounts to be paid under each policy.
- u. *Moratorium Limitations and Plan of Rehabilitation.* Any payments not made during the Interim Period as a result of the Moratorium will be addressed under the plan of rehabilitation

The Temporary Moratorium Order authorized the Rehabilitator to make payments (“Hardship Payments”) that exceed those set forth in the above paragraphs in the event that a policyholder demonstrates hardship. Decisions on requests for Hardship Payments will be made on a case-by-case basis in the Rehabilitator’s sole and absolute discretion upon consideration of information provided by a policyholder on the form attached to the Temporary Moratorium Order as Exhibit A and such other information as the Rehabilitator may request.

Any interested party who wishes to file a formal response to the Moratorium Motion or any other matters (except for matters arising under the Rehabilitation Order) in this proceeding must apply for and be granted the right to intervene by the Court unless otherwise permitted by law. All other parties who do not have a formal appearance in this proceeding may submit informal comments to the Rehabilitator at phl.rehabilitation@ct.gov.

Such informal comments (a) will not be posted on the Site (as defined below); (b) will become records of PHL in rehabilitation, and as such, will not be subject to the Connecticut Freedom of Information Act pursuant to Conn. Gen. Stat. § 38a-913a, but will not be privileged communications immune from discovery; and (c) may be used by the Rehabilitator in his discretion in connection with proceedings before the Court.

Copies of all Court documents and orders (the “Documents”), including the Rehabilitation Order, the Moratorium Motion, the Temporary Moratorium Order and the Notice Order, related to this proceeding are available to be viewed, downloaded, and/or printed at CT.gov/cid.phl (the “Site”). The Site contains a link to all Documents filed with the Court by the Rehabilitator in portable document format (PDF).

Any person receiving this Notice may be placed on the “hard copy” service list upon making a request that they either do not have regular access to a computer or adequate device, are unable to view, download, or print the applicable Documents, or otherwise require hard copies of such Documents. A request for placement on the “hard copy” service list may be made by calling the PHL in Rehabilitation Call Center at 1-877-800-2445.

Absent further order by the Court, updates to the Site shall serve as official notice of all Court documents and orders to interested parties to the extent that such documents involve matters that do not have a direct and material effect on the contractual rights and obligations of the interested parties. **ALL INTERESTED PARTIES ARE ADVISED TO CHECK THE SITE FREQUENTLY FOR UPDATED INFORMATION AND DEADLINES.**