



# 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 Examination Report (the “Report”) of **Talcott Resolution Life and Annuity Insurance Company** (the “Company”) as of December 31, 2022 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 June 21, 2024, 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 June 27, 2024, the Company notified the Department of certain responses and comments on certain items 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 filed 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 C.G.S. 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 William Arfanis, Assistant Deputy Commissioner of the Financial Regulation Division.

4. Section 38a-14(e)(4)(B) of the C.G.S. 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 27th day of June, 2024.

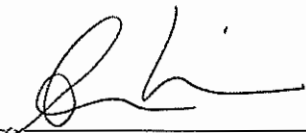
  
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Andrew N. Mais  
Insurance Commissioner



Exhibit A

EXAMINATION REPORT

OF THE

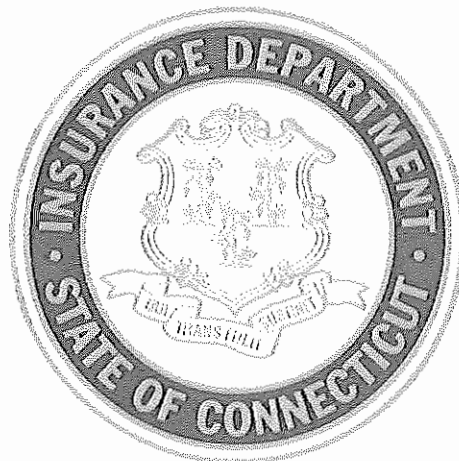
TALCOTT RESOLUTION LIFE AND ANNUITY INSURANCE COMPANY  
(NAIC # 71153)

AS OF

DECEMBER 31, 2022

BY THE

CONNECTICUT INSURANCE DEPARTMENT



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June 21, 2024

The Honorable Andrew N. 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

TALCOTT RESOLUTION LIFE AND ANNUITY INSURANCE COMPANY

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

# TALCOTT RESOLUTION LIFE AND ANNUITY INSURANCE COMPANY

## SCOPE OF EXAMINATION

The previous examination of the Company was conducted as of December 31, 2017. The current examination, which covers the subsequent five year period, through December 31, 2022, was conducted on a full scope, comprehensive basis, at the statutory home office of the Company, in accordance with the procedures outlined in the National Association of Insurance Commissioners (NAIC) Financial Examiners Handbook (the Handbook) by the Connecticut Insurance Department (the Department). Concurrent examinations were also conducted on Talcott Resolution Life Insurance Company (TLIC), American Maturity Life Insurance Company (AMLIC), and Talcott Resolution International Life Reassurance Corporation (TILRe).

A multi-entity limited-scope examination of the Talcott Resolution Companies (the Group) was previously conducted by the Department, as of May 31, 2019, to review and assess its separation and stand-alone operations from The Hartford Financial Services Group, Inc. (HFSG) at the time to operate as an independent stand-alone entity. The Department concluded that the Group's progress was satisfactorily on track and noted no material concerns associated with the Group's corporate governance structure and was consistent with its most recent ORSA filing at that time.

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

- The 2018 through 2022 statutory-basis audit reports by Deloitte & Touche, LLP (D&T), the Company's independent certified public accountants;
- Management's Discussion and Analysis for the years 2018 through 2022;
- The 2018 through 2022 Annual Statements filed with the Department;
- Documentation supporting internal control processes and/or testing in 2022, or earlier if applicable and available;
- Minutes of the Board of Directors (Board), Committees to the Board, custodial agreements, and other documents related to significant transactions that require prior approval, or requests for deviations from the NAIC Accounting Practices and Procedures Manual (Manual); and
- A review of the statutory audit opinions, which indicated no material concerns, with respect to financial condition or regulatory compliance issues.

A comprehensive review was made of the pre-examination memorandum and other documents provided by or submitted to the Financial Analysis Unit of the Department. Examination Jumpstart and other financial reports obtained from the NAIC database were also reviewed.

Work papers prepared by D&T, as of December 31, 2022, in connection with their annual statutory audits, were reviewed and relied upon to the extent deemed appropriate.

We conducted our examination in accordance with the Handbook. The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate information technology system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurers surplus to be

## TALCOTT RESOLUTION LIFE AND ANNUITY INSURANCE COMPANY

materially misstated, both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination, an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

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 ILT Corporation to ILT 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.

On August 30, 2002, 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 became wholly owned by Hartford Life Insurance Company (HLIC), which was wholly owned by Hartford Life and Accident Insurance Company (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.

On April 1, 2016, HLAC sold AMLIC to Hartford Life International Holding Company (HLIHC), a direct subsidiary of HLIC. This resulted in HLIC owning AMLIC, HLAN and Hartford International Life Reassurance Corporation (HILre). That group of companies was wholly owned by HLI.

## TALCOTT RESOLUTION LIFE AND ANNUITY INSURANCE COMPANY

On May 31, 2018, Talcott Resolution was acquired from The HFSG by a consortium of private equity investors, led by Cornell Capital LLC, Atlas Merchant Capital LLC, TRB Advisors LP, Global Atlantic Financial Group Ltd., Pine Brook, and J. Safra Group. Prior to the sale, TLIC (formerly HLIC) directly wrote group life and disability insurance business, which was all ceded to HLAC.

On January 18, 2021, Talcott Resolution's indirect owners, Hopmeadow Holdings GP LLC, and Hopmeadow Holdings LP, entered into a definitive agreement to merge Hopmeadow Holdings LP with a subsidiary of Sixth Street, a global investment firm. The merger was subject to regulatory approvals and other customary closing conditions. The purchase and change in control, from Hopmeadow to Sixth Street investors occurred on June 30, 2021. As a result of the transaction, the Group has new indirect owners.

Pursuant to a restructuring on December 30, 2021, TR Re, Ltd. (TRRe) became the direct parent of TLIC, and indirect parent of TLAN, AMLIC, and TILRE, approved by the Department on November 18, 2021.

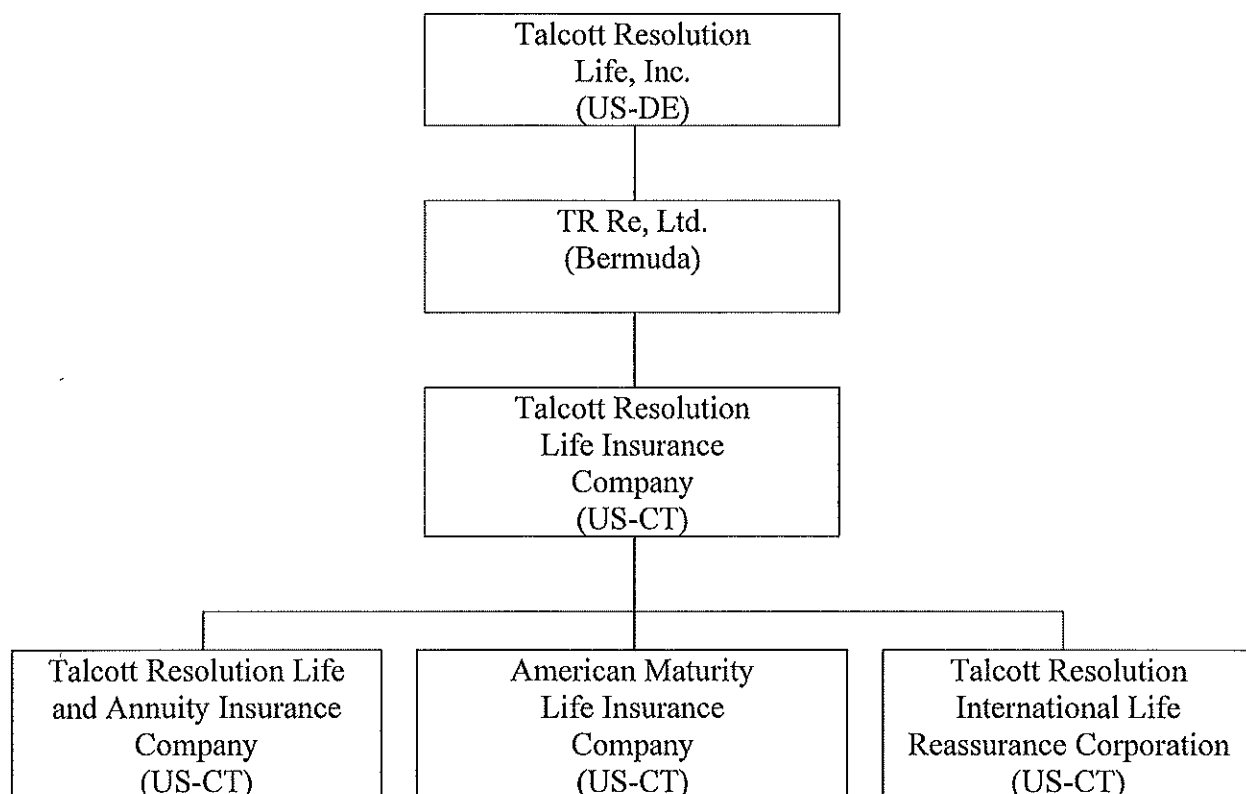
The Group's businesses now also include Talcott Life Re, Ltd. (TLR) and Talcott Life & Annuity Re, Ltd (TLAR), collectively Talcott Re, which are domiciled in Bermuda and the Cayman Islands, respectively. Talcott Re is the international reinsurer for the Talcott Financial Group. Talcott Resolution continues to be the U.S. focused arm of the Group.



# TALCOTT RESOLUTION LIFE AND ANNUITY INSURANCE COMPANY

## ORGANIZATION CHART

The following is a partial organization chart of the Company, its parent, subsidiaries, and affiliates, as of December 31, 2022:



TRRe is the insurance company controlling entity through its 100% ownership of TLIC and is part of a holding company structure in which the ultimate parent company, Talcott Resolution Life, Inc. is owned by Sixth Street Partners, a global investment firm based in San Francisco, California.

## MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system as defined in Section 38a-138.1 to 38a-138.1b of the Connecticut Insurance Regulations and Section 38a-135 of the CGS.

In accordance with the Company's By-laws, amended and restated as of June 1, 2018, all meetings of the shareholders of the Company shall 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.

## TALCOTT RESOLUTION LIFE AND ANNUITY INSURANCE COMPANY

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 the votes entitled to be cast on a matter shall constitute a quorum for action on that matter.

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, the Certificate of Incorporation, or by the By-laws.

The Board may hold its meetings, both regular and special, either within or outside of the State of Connecticut, at such places as from time to time may be determined by the Board or as may be designated in the respective notices or waivers of notice thereof. A majority of the number of Directors in office immediately before the meeting begins shall constitute a quorum for the transactions of business.

Members of the Board serving the Company at December 31, 2022, were as follows:

<u>Name</u>	<u>Title</u>
Matthew J. Poznar	Chief Investment Officer, TLIC
Peter F. Sannizzaro	Former President and Chief Executive Officer, TLIC
Robert R. Siracusa	Interim Co-President and Chief Financial Officer, TLIC

### Committees:

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

On June 15, 2018, the Department acknowledged for the purposes Sections 38a-54-1 through 38a-54-14 of the Connecticut Insurance Regulations, that the TLIC Audit Committee had elected for the TLIC audit committee to be deemed to be the audit committee of each of its subsidiaries, including TLAN, AMLIC, and TILRe.

## TALCOTT RESOLUTION LIFE AND ANNUITY INSURANCE COMPANY

Members of the Board serving the Company's Audit Committee at December 31, 2022, were as follows:

<u>Name</u>	<u>Title and Principal Business Affiliation</u>
Robert W. Stein	Former Global Actuarial Director, Ernst & Young, LLP
Ronald K. Tanemura	Former Goldman Sachs & Co, Participating Managing Director

### Company Officers:

The officers serving the Company at December 31, 2022, were as follows:

<u>Name</u>	<u>Title</u>
Lisa M. Proch	Interim Co-President, Chief Legal Office and Chief Compliance Officer
Robert R. Siracusa	Interim Co-President and Chief Financial Officer
Michael R. Hazel	Vice President and Controller
Jeremy M. Billiel	Assistant Vice President and Treasurer
John B. Brady	Vice President and Appointed Actuary
Christopher B. Cramer	Senior Vice President and Corporate Secretary

### RELATED PARTY AGREEMENTS

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

#### Administrative Services Agreement

Effective July 14, 2021, TLIC and TLAN entered into an Administrative Services Agreement with Talcott Administrative Services Company, LLC (formally Lombard International Administration Services Company, LLC), to provide certain administrative services with respect to specified contracts and accounts, primarily related to the Company's Corporate and Bank Owned Life Insurance (COLI & BOLI) business.

#### Services and Cost Allocation Agreement

Effective July 1, 2021, the Company entered into an Amended Services and Cost Allocation Agreement that authorizes affiliates of the Company to obtain operating services from each other to conduct business activities and provide fair and equitable compensation for the services provided. Expenses covered under the agreement are allocated based on a cost-plus basis.

#### Investment Advisory Services Agreement

Effective December 28, 2021, the Company entered into an Investment Management Agreement with Sixth Street Insurance Solutions, LP to provide investment management services, with discretionary authority and in connection with covered investment strategies, with respect to certain general account assets. The Company is charged a quarterly management fee based on a percentage of the average monthly portfolio market value attributable to each asset class set forth in the agreement. The investment objectives and a statement of the restrictions on the investment of the assets of the Company are included in the agreement.

## TALCOTT RESOLUTION LIFE AND ANNUITY INSURANCE COMPANY

### Liquidity Agreements

Effective June 1, 2018, the Company entered into an Intercompany Liquidity Agreement with TLAN that allows for short term advances of funds between the companies and certain subsidiary companies that may become parties to the agreement in the future.

Effective December 12, 2018, the Company entered into an Intercompany Liquidity Agreement with Talcott Resolution Life, Inc. (TLI) that allows for short-term advances of funds between the Company and TLI.

Effective September 21, 2022, the Company entered into an Intercompany Liquidity Agreement with TRRe, TLR and TLAR that allows the Company to lend a total of \$200M in aggregate to affiliates and to borrow a total of \$600M from each of the aforementioned entities.

### Tax Allocation Agreement:

The Company and certain affiliates and subsidiaries are parties to a Tax Allocation Agreement, effective June 26, 2018, with TRRe to file a consolidated U.S. federal income tax return. The tax sharing allocation agreement provides that any subsidiary having taxable income will pay a tax liability equivalent to what that subsidiary would have paid if it had filed a separate federal income tax return for the year. A subsidiary that would result in a tax loss would receive the benefit resulting from such loss.

## INSURANCE COVERAGE

The Company is insured under a fidelity policy issued by Federal Insurance Company. Talcott Financial Group Investments LLC and its affiliates are listed as named insureds. The coverages include a single loss limit of liability of \$10 million and a single loss deductible of \$250,000. 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 for New York, and in the District of Columbia, Puerto Rico, and the US Virgin Islands.

The Company had 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, the Company's former owner, HFSG placed its existing individual annuity business into runoff and pursued the sale of its Individual Life (ILD) and Retirement Plans Group (RPG) business, including Woodbury Financial Services, its broker-dealer. HFSG completely reinsured the ILD and RPG business to third parties, which effectively closed on January 2, 2013 and January 1, 2013, respectively,

Talcott Resolution was formed to oversee the life insurance and annuity run-off segment, to manage risk, maximize capital efficiency, and optimize profitability. As a result, the Company and its subsidiaries TLAN, AMLIC, and TILRe are all in run-off and do not write new business.

# TALCOTT RESOLUTION LIFE AND ANNUITY INSURANCE COMPANY

## REINSURANCE

### Reinsurance Assumed

The Company's participation in assumed reinsurance, effective April 1, 2001, primarily consists of life and annuity business assumed on a coinsurance and modified coinsurance basis from Time Insurance Company (TIC), John Alden Life Insurance Company, and Union Security Insurance Company

In July 2020, the Commissioner of Insurance of the State of Wisconsin placed TIC into rehabilitation. In June 2022, the Circuit Court of the State of Wisconsin (the Court) approved an assumption reinsurance agreement between the Company and TIC, under which the Company assumed the same business that it had assumed from TIC in accordance with the April 1, 2001 reinsurance agreement. A majority of the reinsured reserves are retroceded to a non-affiliated reinsurer, which remained in place with the Court order.

### Reinsurance Ceded

In connection with the sale of its Individual Life Insurance business to Prudential Insurance Company of America (PICA) in January 2013, the Company entered into an indemnity reinsurance agreement to cede 100% of the majority of its individual life insurance to PICA. The benefits and provisions of the in-force life insurance contracts remain unchanged. PICA receives premiums and is responsible for paying claims and providing customer service and administration for general account investment assets and corresponding liabilities, and separate account assets and corresponding liabilities.

Effective June 1, 2018, the Company and TLIC entered into a coinsurance and modified coinsurance agreement with Commonwealth Annuity and Life Insurance Company (Commonwealth), whereby the Company ceded, on an 85% quota share basis, the Company's variable and fixed payout and fixed deferred annuity contracts and period certain structured settlement contracts to Commonwealth. Additionally standard lives structured contracts were ceded on a 75% quota share basis.

Effective October 1, 2021, the Company entered into a reinsurance agreement with its parent, TR Re, Ltd., to cede its guaranteed minimum withdrawal benefits (GMWB) riders (100%), non-GMWB riders (50%), variable annuities (50%), and period certain (5%), standard life (15%), and substandard (50%) structured settlement business. The basis of reinsurance is the applicable quota share of the liability for each type of business reinsured on a modified coinsurance basis, and on a coinsurance basis for IMR amounts with funds withheld.

## TALCOTT RESOLUTION LIFE AND ANNUITY INSURANCE COMPANY

### INFORMATION TECHNOLOGY CONTROLS

Jennan Enterprises, LLC. (Jennan) was engaged by the Department to perform a risk-based assessment and review of IT General Controls (ITGC's) in accordance with NAIC requirements as outlined in the Handbook. The guidance and direction used to perform the review of the ITGC's 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 Company's responses to the ITPQ were evaluated, and certain controls within the IT environment were tested to assess whether the selected controls were designed effectively and were functioning properly.

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; and business continuity plans.

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

### ACCOUNTS AND RECORDS

The Company reports all financial accounting transactions in Fusion, an Oracle ERP system. Fusion is the official book of record for the Company's financial accounting operations, which is a cloud-based ledger system. The Company converted from Horizon, a PeopleSoft, Inc. general ledger system, to Fusion in 2019.

The Company uses Sovos Wings software package to assist in the preparation of its annual statements. The Company converted from Booke and The Complete Package software program to Wings during the first quarter of 2021.

General ledger account balances were reconciled and traced to appropriate asset, liability, and income statement lines on the Annual Statement for 2021 and 2022.

# TALCOTT RESOLUTION 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, 2022. No adjustments were made to surplus as a result of the examination.

### ASSETS

	Assets	Non-admitted Assets	Net Admitted Assets
Bonds	\$4,138,348,506		\$4,138,348,506
Stocks:			
Preferred stocks	24,626,000		24,626,000
Common stocks	19,361,615	\$2,644,504	16,717,111
Mortgage loans on real estate: First liens	994,929,174		994,929,174
Cash, cash equivalents and short-term investments	308,374,219		308,374,219
Contract loans	88,064,702		88,064,702
Derivatives (Schedule DB)	324,672,074		324,672,074
Other invested assets (Schedule BA)	595,830,414		595,830,414
Receivable for securities	41,047,217		41,047,217
Aggregate write-ins for invested assets	104,826,113		104,826,113
Investment income due and accrued	50,857,847		50,857,847
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	57,392		57,392
Reinsurance:			
Amounts recoverable from reinsurers	27,909,110		27,909,110
Other amounts receivable under reinsurance contracts	33,544,029		33,544,029
Current and foreign income tax recoverable and interest thereon	6,228,345		6,228,345
Net deferred tax asset	50,724,082		50,724,082
Guaranty funds receivable or on deposit	376,434		376,434
Receivables from parent, subsidiaries and affiliates	72,980		72,980
Health care and other amounts receivable	1,388		1,388
Disbursements & items not allocated	56,568,613	13,497,990	43,070,623
Total assets excluding Separate Accounts, Segregated accounts and Protected Cell Accounts	6,866,420,254	16,142,494	6,850,277,760
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	22,177,651,722		22,177,651,722
Total	<u>\$29,044,071,976</u>	<u>\$16,142,494</u>	<u>\$29,027,929,482</u>

TALCOTT RESOLUTION LIFE AND ANNUITY INSURANCE COMPANY

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for life contracts	\$4,644,794,090
Aggregate reserve for accident and health contracts	20,343,233
Liability for deposit-type contracts	169,982,853
Contract claims:	
Life	17,888,978
Accident and health	207,807
Policyholders' dividends/refunds to members due and unpaid	1,590
Policyholders' dividends and refunds to members apportioned for payment	469,743
Premiums and annuity considerations for life and accident and health contracts received in advance	127,374
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	21,811
Other amounts payable on reinsurance including assumed and ceded	28,770,054
Interest maintenance reserve	44,552,487
Commissions to agents due or accrued	17,202,996
General expenses due or accrued	16,790,265
Transfers to Separate Accounts due or accrued	(29,215,545)
Taxes, licenses and fees due or accrued	183,278
Unearned investment income	3,329,179
Amounts withheld or retained by company as agent or trustee	14,164,900
Amounts held for agents account	34,373
Remittances and items not allocated	9,087,955
Miscellaneous liabilities:	
Asset valuation reserve	150,405,868
Funds held under reinsurance treaties with unauthorized and certified reinsurers	115,537,175
Liability for amounts held under uninsured plans	40,064,896
Derivatives	82,797,458
Payable for securities	328,457,512
Aggregate write-ins for liabilities	225,648,259
Total liabilities excluding Separate Accounts	5,901,648,589
From Separate Accounts Statement	22,177,651,722
Total liabilities	28,079,300,311
Common capital stock	2,500,000
Aggregate write-ins for other than special surplus funds	152,270,975
Gross paid in and contributed surplus	85,431,561
Unassigned funds (surplus)	708,426,635
Surplus	946,129,171
Total surplus and other funds	948,629,171
Total liabilities and surplus	<u>\$29,027,929,482</u>



TALCOTT RESOLUTION LIFE AND ANNUITY INSURANCE COMPANY

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and accident and health contracts	\$53,657,635
Considerations for supplementary contracts with life contingencies	(240,660)
Net investment income	264,978,097
Amortization of Interest Maintenance Reserve (IMR)	3,374,716
Commissions and expense allowances on reinsurance ceded	122,225,247
Reserve adjustments on reinsurance ceded	(1,774,178,634)
Miscellaneous income:	
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	487,028,149
Aggregate write-ins for miscellaneous income	46,087,923
Total	(797,067,527)
Death benefits	3,110,152
Annuity benefits	222,433,926
Disability benefits and benefits under accident and health contracts	298,761
Surrender benefits and withdrawals for life contracts	1,117,014,637
Interest and adjustments on contract or deposit-type contract funds	7,202,718
Payments on supplementary contracts with life contingencies	1,197,427
Increase in aggregate reserves for life and accident and health contracts	(135,623,991)
Totals	1,215,633,630
Commissions on premiums, annuity considerations and deposit-type contract funds	113,082,362
Commissions and expense allowances on reinsurance assumed	5,785,326
General insurance expenses	83,024,619
Insurance taxes, licenses and fees, excluding federal income taxes	2,269,054
Increase in loading on deferred and uncollected premium	(366)
Net transfers to or (from) Separate Accounts, net of reinsurance	(2,126,951,518)
Aggregate write-ins for deductions	(127,795,617)
Totals	(834,952,510)
Net gain from operations before dividends to policyholders, refunds to members and federal income taxes	37,884,983
Dividends to policyholders	(31,828)
Net gain from operations after dividends to policyholders and before federal income taxes	37,916,811
Federal and foreign income taxes incurred	(24,113,001)
Net gain from operations after dividends to policyholders, refund to members and before federal income taxes	62,029,812
Net realized gains (losses) transferred to the IMR less capital gains tax	(64,448,103)
Net income	<u>\$(2,418,291)</u>

# TALCOTT RESOLUTION LIFE AND ANNUITY INSURANCE COMPANY

## CAPITAL AND SURPLUS ACCOUNT

Capital and surplus, December 31, prior year	\$772,444,198
Net income	(2,418,291)
Change in net unrealized capital gains (losses)	178,330,164
Change in unrealized foreign exchange capital gain (loss)	(66,229)
Change in net deferred income tax	(29,476,801)
Change in nonadmitted assets	31,799,182
Change in reserve on account of change in valuation basis	29,658,787
Change in asset valuation reserve	(7,952,711)
Aggregate write-ins for gains and losses in surplus	(23,689,128)
Net change in capital and surplus for the year	176,184,973
Capital and surplus, December 31, current year	<u>\$948,629,171</u>

## 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, offered 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 financial statement of the separate accounts as of December 31, 2022, was as follows:

## INSULATED

### ASSETS

	General Account Basis	Fair Value Basis	Total
Common stocks	\$0	\$21,811,015,842	\$21,811,015,842
Cash and cash equivalents		360,514,273	360,514,273
Subtotals-cash and invested assets		\$22,171,530,115	\$22,171,530,115
Receivable for securities		6,117,052	6,117,052
Aggregate write-ins for other than invested assets		4,555	4,555
Total	<u>\$0</u>	<u>\$22,177,651,722</u>	<u>\$22,177,651,722</u>

# TALCOTT RESOLUTION LIFE AND ANNUITY INSURANCE COMPANY

## LIABILITIES AND SURPLUS

	General Account Basis	Fair Value Basis	Total
Aggregate reserve for life, annuity and accident and health contracts	\$0	\$22,130,512,592	\$22,130,512,592
Other transfers to general account due or accrued		47,286,201	47,286,201
Payable for securities		(147,071)	(147,071)
Total liabilities		22,177,651,722	22,177,651,722
Totals	<u>\$0</u>	<u>\$22,177,651,722</u>	<u>\$22,177,651,722</u>

## INVESTMENTS

The Department engaged Risk & Regulatory Consulting, LLC to conduct an evaluation of the Group's investment holdings. Based upon the review, no material findings were noted that affected the investment holdings of the Group. However, based upon the review, the following improvements were noted to enhance compliance with Section 38a-54-11 of the CGS for the Group:

### **Special Purpose Vehicle Residential Mortgage Loans**

The Company reported Residential Mortgage Loans (RML) issued by a Special Purpose Vehicle (SPV) on Schedule B of the Annual Statement. According to Statement of Statutory Accounting Principles (SSAP) No. 37 of the Manual "investments that reflect "participating mortgages", "mortgage loan fund", "bundled mortgage loans" or "the securitization of other assets" are not considered mortgage loans within the scope of this SSAP."

It is recommended that the Company report RML issued by a SPV on Schedule BA of the Annual Statement. It is noted that the Company has already undertaken an initiative to improve the process for onboarding complex asset structures. This includes the preparation of detailed, formalized analysis to support accounting conclusions.

### **Lack of Repurchase Agreement Transaction Monitoring**

The Company did not develop repurchase program guidelines to ensure that the investment program is operated in accordance with the Company's expectations. It was also noted that monitoring and reporting controls do not sufficiently target repurchase agreement transactions.

It is recommended that the Company enhance its policy and guidelines with respect to the repurchase agreement program. It is also recommended that the Company make enhancements to controls over managing and monitoring the repurchase agreement program to ensure it is operated in accordance with the Company's guidelines, along with regular reporting to monitor key risk elements of the program, such as counterparty exposures, collateral requirements, reinvestment or cash collateral, and duration mismatches.

## TALCOTT RESOLUTION LIFE AND ANNUITY INSURANCE COMPANY

### **Enhancements to Board Governance Over Investments**

While the Talcott Financial Group Investments, LLC Board includes independent Directors with investment experience, the only Directors with sufficient investment background experience to properly monitor and manage investment risks on the Company's Board are Officers of the Company.

It is recommended that the Company authorize a committee of TLIC's Board that includes at least one independent Director with sufficient investment expertise to review the investments and investment practices of the Company and its affiliated insurance entities, TLIC, AMLIC, and TILRe and to oversee investment strategic decisions for the Company with regular reporting to each affiliated board of directors. It is also recommended that reporting to this committee include detailed analysis by asset class along with detailed risk components and attributes on a legal entity basis.

### **Enhancements to Management Oversight, Validation of Investment Manager Reporting, and Controls Assessment and Servicing**

The Company relies substantially on its investment managers' control environment and reporting. The Company's investment team does not perform sufficient independent assessments to determine reliance of the reporting received from its investment managers or review, in coordination with Internal Audit (IA), the controls testing provided by the investment manager.

It is recommended that the Company conduct independent assessments of its investment managers, enhance management oversight of investment manager reporting, controls, and service assessments by actively monitoring investment managers' performance, analyze strategy updates, assess adherence to investment guidelines, and regularly review portfolio asset allocation decisions, and how those allocation decisions impact the risk profile.

### **Enhancements over Internal Audit Testing**

The Company relies substantially on its investment managers' controls and reporting. Accordingly, the Company's independent assessment of reporting received from investment managers, including assessment by IA, should be further developed to improve the validation process and control testing.

It is recommended that the Company, in coordination with IA, enhance investment manager oversight by strengthening operational and information technology testing methodologies, ensuring transparent and complete data is received from investment managers, and align controls review with industry standards to sufficiently assess the operating effectiveness of controls at its investment managers.

### **Use of Third-Party Investment Managers**

The Company relies substantially on its investment managers' controls and reporting. Accordingly, the Company's independent assessment of reporting received from investment managers, including assessment by IA, should be further developed to improve the validation process and control testing.

## TALCOTT RESOLUTION LIFE AND ANNUITY INSURANCE COMPANY

It is recommended that the Company perform a detailed review of available SOC reports from its investment managers. Where a SOC report is not available, it is recommended that the Company perform an independent assessment over the controls at the investment manager to assess reliance on the operating effectiveness of those controls and reporting.

<u>AGGREGATE RESERVE FOR LIFE CONTRACTS</u>	<u>\$4,644,794,090</u>
<u>LIABILITY FOR DEPOSIT-TYPE CONTRACTS</u>	<u>\$169,982,853</u>
<u>CONTRACT CLAIMS: (LIFE)</u>	<u>\$17,888,978</u>

The Department engaged Claire Thinking Consultants (Claire Thinking) to assist in the review and assessment of the Company's actuarial computed loss reserves, liquidity, asset/liability matching, and significant assumed and ceded reinsurance treaties as of December 31, 2022.

Consistent with the risk focused surveillance approach to the examination, the Department reviewed and relied upon analyses and tests documented by the Company, Claire Thinking and the Company's independent auditors. Reviews of the Company's primary lines of business were conducted by Claire Thinking and the Department 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, the Department conducted the following:

- Reviewed and analyzed statutory Annual Statements from 2018 through 2022;
- met with Company management to gather an understanding of the Company's business, 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

The Department conducted a review to form a conclusion regarding the risk that actual losses or other contractual payments reflected in the corresponding reserves were 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. The Department conducted a review of internal 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. The Department verified that the reported reserves and liabilities are consistent with those calculated by the Company's actuaries, and the results of their analysis show that the reported liability is sufficient to cover the expected future claims.

## TALCOTT RESOLUTION LIFE AND ANNUITY INSURANCE COMPANY

### 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.

### Assessment of Liquidity Risk

The Department 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. This may arise with the occurrence of an event such that the insurer will not have enough cash resources or liquid assets to meet its cash obligations. Based on a review of the Actuarial Memorandum and other analysis of the Company's assets and liabilities, the Department concluded that liquidity risk does not appear to be a major concern for the Company.

### Assessment of Underwriting and Premium Pricing Risk

The Department conducted testing to form a conclusion regarding the development and update of underwriting manuals, premium pricing development rationale, credits and other offsets were adequate, and analysis conducted on claim development supports premium rate changes among products and industries.

### Conclusion

Based upon the risk focused assessment and review, no material findings were noted which affected the Company's reserving, liquidity, reinsurance, and underwriting and premium pricing risks. However, based on the review, the following enhancements are recommended:

### Modeling Alternative and Riskier Assets

The Company holds investments in alternative and structured assets. While the Company performs stress testing of its structured assets, a prolonged market disruption could adversely impact the results of the Company's overall assumptions.

It is recommended that the Company enhance stress testing and disclosures in the Actuarial Opinion Memorandum for alternative assets and structured asset classes, including all BA assets and other high net yield assets, where cash flows can vary based on economic conditions.

### Expense Savings

The Company's unit costs are high and rising due to the runoff of the legacy business and expenses on reinsured business. A reduction to these expenses is possible through the management and implementation of future company actions.

It is recommended that the Company continue to annually review the expense assumptions for asset adequacy testing and principal based reserves (PBR) modeling to ensure they are reasonable.

## TALCOTT RESOLUTION LIFE AND ANNUITY INSURANCE COMPANY

Asset adequacy testing should include a scenario assuming no outsourcing. In addition, the Company may perform testing assuming certain cost reduction actions, such as outsourcing, but it must also reflect the expenses that would continue to be internally retained, along with a margin for the uncertainty of the third-party expenses in future years.

### **Talcott Business Ceded to TR Re, Ltd.**

The Company reinsures business to TRRe, a Bermuda reinsurance company which is a Reciprocal Jurisdiction Reinsurer (RJR) in the State of Connecticut. The majority of this reinsurance business is ceded under modified coinsurance, with some coinsurance on a funds withheld basis (with the funds withheld fully covering the coinsurance reserve credit). The reserves associated with these treaties are a significant percentage of the Company's reserve liabilities.

It is recommended that the Company perform asset adequacy analysis on business ceded to TRRe to determine whether the modified coinsurance reserves and the ceded coinsurance reserves are adequate to pay future claims and expenses based on the supporting assets and other future considerations. This sensitivity testing should be performed based on the actual assets backing the reserves, using the same moderately conservative assumptions used for the net testing performed in Talcott, including the limitations on the assumed earnings on the assets. The results of this "gross reserve" sensitivity testing should be included in the Actuarial Opinion Memorandum.

### **COMMON CAPITAL STOCK**

**\$2,500,000**

As of December 31, 2022, the Company had 3,000 shares of common capital stock authorized and 2,000 shares issued and outstanding, with a par value of \$1,250. All shares are owned by TLIC, which in turn is owned by TRRe. Sixth Street is the ultimate parent company.

On September 17, 2019, the Company paid an extraordinary dividend of \$250,000,000 to TLIC as a return of capital. The Department approved the extraordinary dividend.

On September 18, 2020, the Company paid a dividend of \$400,000,000 to TLIC.

### **AGGREGATE WRITE-INS FOR OTHER THAN SPECIAL SURPLUS FUNDS** **\$152,270,975**

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

2021	\$175,960,104
2020	\$199,649,232
2019	\$223,338,361
2018	\$247,027,489

### **GROSS PAID IN AND CONTRIBUTED SURPLUS**

**\$85,431,561**

The balance of the account was \$335,431,561 at the end of 2018 and decreased to its current balance throughout the current period as of 2022.

## TALCOTT RESOLUTION LIFE AND ANNUITY INSURANCE COMPANY

### UNASSIGNED FUNDS (SURPLUS)

\$708,426,635

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

2021	\$508,552,533
2020	\$334,109,047
2019	\$668,014,412
2018	\$575,879,546

### SUMMARY OF RECOMMENDATIONS

Pg.

#### 15 Investments

- It is recommended that the Company report RML issued by a SPV on Schedule BA of the of the Annual Statement.
- It is recommended procedures are adopted to enhance compliance with Section 38a-54-11c of the CGS for the Group. These are detailed in the body of the examination report section captioned “Lack of Repurchase Agreement Transaction Monitoring”, “Enhancements to Board Governance Over Investments”, “Enhancements to Management Oversight, Validation of Investment Manager Reporting, and Controls Assessment and Servicing”, “Enhancements over Internal Audit Testing” and “Use of Third-Party Investment Managers”.

#### 17 Aggregate Reserve for Life Contracts

- Modeling Alternative and Riskier Assets  
It is recommended that the Company enhance stress testing and disclosures in the Actuarial Opinion Memorandum for alternative assets and structured asset classes, including all BA assets and other high net yield assets, where cash flows can vary based on economic conditions.
- Expense Savings  
It is recommended that the Company continue to annually review the expense assumptions for asset adequacy testing and principal based reserves (PBR) modeling to ensure they are reasonable. Asset adequacy testing should include a scenario assuming no outsourcing. In addition, the Company may perform testing assuming certain cost reduction actions, such as outsourcing, but it must also reflect the expenses that would continue to be internally retained, along with a margin for the uncertainty of the third-party expenses in future years.
- Talcott Business Ceded to TR Re Ltd.  
It is recommended that the Company perform asset adequacy analysis on business ceded to TRRe to determine whether the modified coinsurance reserves and the ceded coinsurance reserves are adequate to pay future claims and expenses based on the supporting assets and other future considerations. The results of this “gross reserve” testing should be included in the Actuarial Opinion Memorandum.



# TALCOTT RESOLUTION LIFE AND ANNUITY INSURANCE COMPANY

## SUBSEQUENT EVENTS

- On July 17, 2023, Talcott announced the appointment of Michael Smith as Executive Chairman of Talcott Financial Group.
- As of October 2023, Imran Siddiqui was appointed Chief Executive Officer of Talcott Financial Group and will lead the U.S. leadership team. Under the newly formed group alignment, Lisa Proch will resume her duties as the Insurance Companies (Companies) Chief Legal Officer and Chief Compliance Officer and Robert Siracusa (formerly, Interim Co-President and Chief Financial Officer) has retired. The group functional organizational structure will not include a Chief Financial Officer at the Company level as the Group Finance Organization will be led by Adam Laing, who will provide finance services to the Companies.
- On December 7, 2023, and pursuant to Section 538a-85(g) of the CGS and Section 38a-88-4b of the Connecticut Insurance Regulations, the Department recognized TRRe as a RJR in the State of Connecticut for insurance lines of life and annuities. The RJR status in Connecticut is in effect from January 1, 2024 to December 31, 2024.

## CONCLUSION

The results of this examination disclosed that, as of December 31, 2022, the Company reported admitted assets of \$29,027,929,482, liabilities of \$28,079,300,311, and surplus of \$948,629,171. During the period under examination, admitted assets decreased \$7,350,642,406, liabilities decreased \$7,160,299,889, and surplus as regards policyholders decreased \$190,342,517.

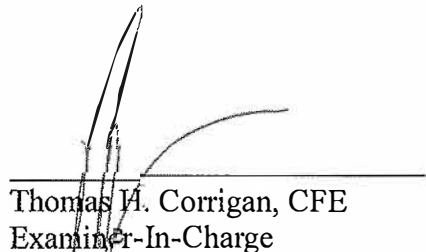
TALCOTT RESOLUTION LIFE AND ANNUITY INSURANCE COMPANY

SIGNATURE

In addition to the undersigned, the following members of the Department participated in the examination: William Arfanis, CFE, Cecilia Arnold, CFE; Wanchin Chou, FCAS, MAAA, CPCU, CSPA; Ellen McCarthy, Brandon Ormsby, Lei Rao-Knight, FSA, MAAA, Tahjma Roberson, Kenneth Roulier, AFE, AES, CISA; and the professional services firms of Claire Thinking, Jennan and Risk & Regulatory Consulting, LLC.

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, 2022, to the best of my information, knowledge and belief.

Respectfully submitted,

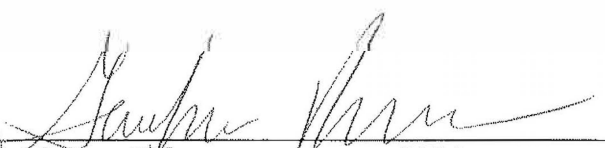


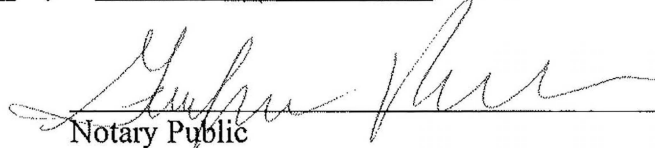
Thomas H. Corrigan, CFE  
Examiner-In-Charge  
State of Connecticut  
Insurance Department

State of Connecticut

ss. Hartford

County of Hartford

Subscribed and sworn to before me,   
Notary Public on this 30 day of June, 2024.

  
Notary Public

My Commission Expires June 30, 2026

