

OHIO DEPARTMENT OF INSURANCE

A

MARKET CONDUCT EXAMINATION

OF

Hartford Life & Annuity Insurance Company

NAIC #71153

As Of

December 31, 2004





Ted Strickland, Governor
Mary Jo Hudson, Director

2100 Stella Court, Columbus, OH 43215-1067
(614) 644-2658 www.ohioinsurance.gov

Honorable Mary Jo Hudson
Director
Ohio Department of Insurance
2100 Stella Court
Columbus, Ohio 43215-1067

Director:

Pursuant to your instructions and in accordance with the powers vested under Title 39 of the Ohio Revised Code, a Market Regulation desk examination was conducted on the Ohio business of:

Hartford Life & Annuity Insurance Company
NAIC Company Code 71153.

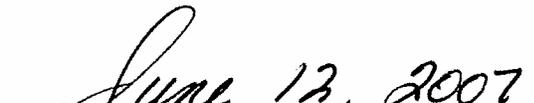
The examination was conducted at the Ohio Department of Insurance office located at:
2100 Stella Court
Columbus OH 43215.

A report of the examination is enclosed.

Respectfully submitted,



David R. Beck
Chief, Market Regulation Division



Date



Accredited by the National Association of Insurance Commissioners (NAIC)

Consumer Hotline: 1-800-686-1526

Fraud Hotline: 1-800-686-1527

OSHIIP Hotline: 1-800-686-1578

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FOREWORD

This examination was conducted under authority provided under Ohio Revised Code (“R.C.”) 3901.011.

SCOPE OF EXAMINATION

On September 26, 2005, the Market Regulation and Licensing Division, Ohio Department of Insurance (“Department”), opened an examination into the non-financial business practices of Hartford Life & Annuity Insurance Company (“Company”), by sending a notice of examination and initial request for information.

The examination was restricted to Company replacement activities for individual life insurance for the period of January 1, 2003, through December 31, 2004. The examination was conducted at the Department using documents supplied by the Company in response to the examiners’ requests. This examination report is a report by test and was conducted in accordance with the standards and procedures established by the National Association of Insurance Commissioners (“NAIC”) and the State of Ohio’s applicable statutes and rules.

Accordingly, the examination included the following areas of the Company’s operations:

- A. Company History
- B. Company Operations
- C. Certificate of Authority
- D. External Replacement Policies
- E. Internal Replacement Policies
- F. Unreported Replacements
- G. Complaint Handling

METHODOLOGY

As part of the examination, the Department’s examiners reviewed the Company’s replacement register, individual ordinary life insurance policy files and the corresponding procedures. This information was supplemented, as necessary, with written inquiries to the Company requesting clarification and/or additional information.

Only Ohio policyholders’ files were reviewed. A series of tests were designed and applied to these files to determine the Company’s level of compliance with Ohio’s applicable statutes and rules. These tests are described and the results are noted in this report.

The Examiners used the NAIC standard of a 10% error ratio on policy files (90% compliance rate) to determine whether or not an apparent pattern or practice of non-compliance existed for any given test.

The results of each test applied to a sample are reported separately. Each test is expressed as a “yes / no” question. A “yes” response indicates compliance and a “no” response

indicates a failure to comply. A “no” response may be referred to in this report as an “exception.”

In any instance where errors were noted, the examiners described the apparent error and asked the Company for an explanation. The Company responded to the examiners and either:

- Concurred with the findings,
- Had additional information for the examiners to consider, and/or
- Proposed remedial action(s) to correct the apparent deficiency.

If applicable, the Company's responses and the examiners' recommendations are included in this report.

SAMPLING

Upon request, the Company supplied reports of new policy and replacement policy data in file formats, which could be used on IBM compatible personal computers. Except as otherwise noted, all tests were conducted on a sample of files randomly selected from a given report. The samples were selected from populations consisting of Ohio policies and were selected using a standard business database application that provides a true random sample since it supplies a random starting point from which to select the sample.

COMPANY HISTORY

The Company is a Connecticut domestic stock insurance company. Under its former name, ITT Midwestern Life Insurance Corp., it was incorporated in 1956 and admitted to Ohio on January 4, 1971. The Company changed its name to Hartford Life & Annuity Insurance Company on January 1, 1998. It acquired key operations of Fortis Insurance Company in November of 2001.

COMPANY OPERATIONS

The Company is ultimately owned by The Hartford Financial Services Group, Inc., an insurance holding company. The holding company uses the business name, The Hartford, and is traded on the New York Stock Exchange under the symbol HIG.

The Company is a member of the Insurance Marketplace Standards Association (“IMSA”), a voluntary association of life insurers. IMSA members agree to use IMSA standards in key areas of their business operations, including sales and marketing and replacements. The Company, like all IMSA members, has established procedures to audit its sales and marketing practices and to correct any that are found to be non-compliant.

The data on direct written premiums and incurred losses for the examination period, as reported in the Company's annual financial statements, appears below.

Life	Ohio		National	
	Direct Written Premiums	Incurred Losses	Direct Written Premiums	Incurred Losses
2003	\$23,492,307	\$4,608,197	\$863,787,764	\$108,246,114
2004	\$26,137,942	\$2,920,261	\$1,038,317,133	\$132,427,538

As of December 31, 2004, the officers of the Company were:

President, CEO & Chairman of the Board	Thomas Michael Marra
VP & Chief Accounting Officer	Ernest Malcolm McNeil, Jr.
VP & Secretary	Brian Stuart Becker
VP & Actuary	Thomas Anthony Campbell

CERTIFICATE OF AUTHORITY

The Company operates under a Certificate of Authority issued in accordance with R.C. 3929.01, which permits it to transact appropriate business as defined by R.C. 3929.01(A). In the course of the examination, the examiners determined that the Company operations were in compliance with its Certificate of Authority.

EXTERNAL REPLACEMENTS

Methodology:

- The examiners reviewed all procedure manuals as part of the examination process.
- The Company supplied a copy of its replacement register. The Company's procedures to record applications proposing "replacement" is based on IMSA standards. These standards have a broader definition of "replacement" than Ohio's "Replacement Rule," Ohio Adm.Code 3901-6-05.

Included in the IMSA definition are transactions, such as rollovers from 401K benefit plans and replacing existing employer sponsored group coverage, which are outside the scope of Ohio's Replacement Rule. Where identified, these records were removed from a sample and replaced.

- From this data, the examiners identified those applications which were "external replacements."
- For the purpose of this examination, "external replacements" were defined as those applications for a life insurance policy which proposed to replace an existing life insurance policy or annuity contract issued by any insurer other than Hartford Life & Annuity.
- The examiners segmented this data into three populations defined by line of business. The populations were:
 1. Term Life,
 2. Universal Life, and
 3. Variable Life.
- Random samples were selected from each population to test for compliance.

- The examiners considered any file to be an exception if it did not comply with the section of the replacement rule tested.

Standard: Company rules pertaining to agent requirements in connection with replacements are in compliance with applicable statutes and rules.

Test: Did the Company require its agents to comply with the provisions of the “Replacement Rule,” Ohio Adm.Code 3901-06-05?

Findings: External Replacement Agent Requirements

Test 1: Did the agent submit a statement signed by the applicant as to whether a replacement was involved? Ohio Adm.Code 3901-6-05(E)(1)(a)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	380	50	49	1	90%	98%
Universal Life	109	50	50	0	90%	100%
Variable Life	549	50	50	0	90%	100%

Test 2: Did the agent submit a statement signed by the agent as to whether he/she knew a replacement was involved? Ohio Adm.Code 3901-6-05(E)(1)(b)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	380	50	49	1	90%	98%
Universal Life	109	50	50	0	90%	100%
Variable Life	549	50	50	0	90%	100%

Test 3: Did the agent present a “Notice Regarding Replacement” (“NRR”) to the applicant no later than the time of the application? Ohio Adm.Code 3901-6-05(E)(2)(a)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	380	50	48	3	90%	94%
Universal Life	109	50	43	7	90%	86%
Variable Life	549	50	47	3	90%	94%

Examiners’ Recommendation:

The Company’s procedures consider “at time of application” to be the period between the first document(s) submitted making application for a policy and all subsequent transactions before a policy is issued.

However, the NRR must be signed on or before the date that the application is signed. The Company should revise its procedures to require that the NRR be complete and signed no later than the date the application is signed.

Test 4: Did the agent submit a copy of the NRR, with the application, to the replacing company? Ohio Adm.Code 3901-6-05(E)(2)(d)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	380	50	47	3	90%	94%
Universal Life	109	50	46	4	90%	92%
Variable Life	549	50	50	0	90%	100%

Test 5: Was the NRR signed by both the applicant and the agent? Ohio Adm.Code 3901-6-05(E)(2)(a)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	380	50	47	3	90%	94%
Universal Life	109	50	49	1	90%	98%
Variable Life	549	50	50	0	90%	100%

Test 6: Did the agent submit a completed application to the replacing company? Ohio Adm.Code 3901-6-05(F)(2) and (G)(1)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	380	50	50	0	90%	100%
Universal Life	109	50	50	0	90%	100%
Variable Life	549	50	50	0	90%	100%

Test 7: Did the agent obtain a list of all existing life insurance to be replaced and was the list properly identified by name of insurer, the insured, and contract number, or alternative identification, such as an application or receipt number? Ohio Adm.Code 3901-6-05(E)(2)(b)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	380	50	50	0	90%	100%
Universal Life	109	50	50	0	90%	100%
Variable Life	549	50	50	0	90%	100%

Findings: External Replacement Company Requirements

Standard: Company rules pertaining to company requirements in connection with replacements are in compliance with applicable statutes and rules.

Test: Did the Company's new business practices comply with the provisions of the "Replacement Rule," Ohio Adm.Code 3901-06-05?

Test 1: Did the Company require a statement signed by the applicant as to whether the proposed insurance would replace existing life insurance? Ohio Adm.Code 3901-6-05(F)(2)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	380	50	50	0	90%	100%
Universal Life	109	50	50	0	90%	100%
Variable Life	549	50	50	0	90%	100%

Test 2: Did the Company require a statement signed by the agent as to whether the agent knew a replacement was involved or could be involved? Ohio Adm.Code 3901-6-05(G)(1)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	380	50	50	0	90%	100%
Universal Life	109	50	50	0	90%	100%
Variable Life	549	50	50	0	90%	100%

Test 3: Did the Company require from the agent, with the application, a list of all of the applicant's existing life insurance to be replaced and were the policies properly identified by the name of the insurer, name of the insured and contract number, or alternative identification, such as an application or receipt number? Ohio Adm.Code 3901-6-05(G)(2)(a)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	380	50	50	0	90%	100%
Universal Life	109	50	50	0	90%	100%
Variable Life	549	50	50	0	90%	100%

Test 4: Did the Company require from the agent, with the application, a signed NRR? Ohio Adm.Code 3901-6-05(G)(2)(a)(ii)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	380	50	49	1	90%	98%
Universal Life	109	50	49	1	90%	98%
Variable Life	549	50	50	0	90%	100%

Test 5: Did the Company maintain evidence in the file of the NRR, the policy summary, and contract summary or any ledger statement used? Ohio Adm.Code 3901-6-05(G)(3)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	380	50	49	1	90%	98%
Universal Life	109	50	49	1	90%	98%
Variable Life	549	50	50	0	90%	100%

Test 6: Did the Company provide notification in or with the policy about the 20-day free look period and premium refund? Ohio Adm.Code 3901-6-05(G)(4)

Line of Business	Population:	Sample:	Yes:	No:	Standard:	Findings:
Term Life	380	50	50	0	90%	100%
Universal Life	109	50	50	0	90%	100%
Variable Life	549	50	50	0	90%	100%

Test 7: Did the Company send a written communication to the existing insurer advising of the replacement within three working days of receipt of the application? Ohio Adm.Code 3901-6-05(G)(2)(b)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	380	50	47	3	90%	94%
Universal Life	109	50	46	4	90%	92%
Variable Life	549	50	48	2	90%	96%

Test 8: Did the Company include in the written communication a policy summary, contract summary, or ledger statement to each existing insurer? Ohio Adm.Code 3901-6-05(G)(2)(b)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	380	50	18	32	90%	36%
Universal Life	109	50	26	24	90%	52%
Variable Life	549	50	0	50	90%	0%

Examiners' Comments:

The examiners found that the Company failed to send policy summaries to existing insurers as part of the replacement notice.

During the exam period the Company did not have a procedure to send a copy of the variable life prospectus and premium contribution amounts to the existing insurer with its replacement notice. The Company became aware of this practice during an internal audit and corrected its procedures in late 2004. The procedure changes were implemented in early 2005. Accordingly, the examiners have no additional recommendations for the Company's variable life new business practices.

Examiners' Recommendation: The examiners recommend that the Company amend its term life and universal life new business practices to establish controls to assure that notices to existing insurers include policy benefit summaries as required by Ohio Adm.Code 3901-6-05(G)(2)(b).

INTERNAL LIFE REPLACEMENTS

Methodology

- The examiners reviewed all procedure manuals as part of the examination process.

- The Company supplied a copy of its replacement register. The Company’s procedures to log replacements are based on IMSA standards. These standards have a broader definition of “replacements” than Ohio’s Replacement Rule.

Included in the IMSA definition are rollovers from 401K benefit plans and replacing existing employer sponsored group coverage that are outside the scope of Ohio’s Replacement Rule. Where identified, these records were removed from a sample and replaced.

- From this data, the examiners identified those applications that were “internal replacements.”
- “Internal replacements” were defined as those applications for any life contract that replaced an existing Hartford Life & Annuity life insurance policy or annuity contract, including any policies or contracts acquired by the Company under a reinsurance agreement.
- From this data, the examiners identified a population of 25 internal replacements issued to replace existing life insurance or annuity contracts.
- During the examination, the examiners removed 10 records that were not “replacement(s)” as defined by Ohio Adm.Code 3901-6-05(D)(1). These records were reinstatements or employee benefit contracts.
- The examiners considered a file to be an exception if it did not comply with the portion of the replacement Rule tested.

Standard: Company rules pertaining to agent requirements in connection with replacements are in compliance with applicable statutes and rules.

Test: Did the company require their agents to comply with the replacement requirements for life insurance according to Ohio Adm.Code 3901-6-05?

Findings: Internal Replacement Agent Requirements

Test 1: Did the agent submit a statement signed by the applicant as to whether a replacement was involved? Ohio Adm.Code 3901-6-05(E)(1)(a)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	4	4	4	0	90%	100%
Universal Life	4	4	4	0	90%	100%
Variable Life	7	7	7	0	90%	100%

Test 2: Did the agent submit a statement signed by the agent as to whether he/she knew a replacement was involved? Ohio Adm.Code 3901-6-05(E)(1)(b)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	4	4	4	0	90%	100%
Universal Life	4	4	4	0	90%	100%
Variable Life	7	7	7	0	90%	100%

Test 3: Did the agent present to the applicant a “Notice Regarding Replacement” no later than the time of the application? Ohio Adm.Code 3901-6-05(E)(2)(a)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	4	4	3	1	90%	75%
Universal Life	4	4	3	1	90%	75%
Variable Life	7	7	6	1	90%	86%

Examiners’ Recommendation: The Company should revise its procedures to require that the NRR be completed and signed no later than the date the application is signed.

Test 4: Did the agent submit, with the application, a copy of the “Notice Regarding Replacement” to the replacing company? Ohio Adm.Code 3901-6-05(E)(2)(d)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	4	4	3	1	90%	75%
Universal Life	4	4	3	1	90%	75%
Variable Life	7	7	6	1	90%	86%

Examiners’ Recommendation: The Company should revise its procedures to require that the NRR be completed and signed no later than the date the application is signed and accompany the application when sent to the Company.

Test 5: Was the “Notice Regarding Replacement” signed by both the applicant and the agent? Ohio Adm.Code 3901-6-05(E)(2)(a)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	4	4	4	0	90%	100%
Universal Life	4	4	4	0	90%	100%
Variable Life	7	7	7	0	90%	100%

Test 6: Did the agent submit a completed application to the replacing company? Ohio Adm.Code 3901-6-05(F)(2) and (G)(1)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	4	4	4	0	90%	100%
Universal Life	4	4	4	0	90%	100%
Variable Life	7	7	7	0	90%	100%

Test 7: Did the agent obtain a list of all existing life insurance to be replaced and was the list properly identified by name of insurer, the insured and contract number, or alternative identification such as an application or receipt number? Ohio Adm.Code 3901-6-05(E)(2)(b)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	4	4	4	0	90%	100%
Universal Life	4	4	4	0	90%	100%
Variable Life	7	7	7	0	90%	100%

Findings: Internal Replacement Company Requirements

Standard: Company rules pertaining to company requirements in connection with replacements are in compliance with applicable statutes and rules.

Test: Did the Company comply with the requirements for internal life insurance replacements according to Ohio Adm.Code 3901-06-05?

Test 1: Did the Company require a statement signed by the applicant as to whether the proposed insurance would replace existing life insurance? Ohio Adm.Code 3901-6-05(F)(2)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	4	4	4	0	90%	100%
Universal Life	4	4	4	0	90%	100%
Variable Life	7	7	7	0	90%	100%

Test 2: Did the Company require a statement signed by the agent as to whether the agent knew a replacement was involved or could be involved? Ohio Adm.Code 3901-6-05(G)(1)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	4	4	4	0	90%	100%
Universal Life	4	4	4	0	90%	100%
Variable Life	7	7	7	0	90%	100%

Test 3: Did the Company require from the agent, with the application, a list of all of the applicant's existing life insurance to be replaced and was that list properly identified by the name of the insurer, insured and contract number, or alternative identification, such as an application or receipt number? Ohio Adm.Code 3901-6-05(G)(2)(a)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	4	4	4	0	90%	100%
Universal Life	4	4	4	0	90%	100%
Variable Life	7	7	7	0	90%	100%

Test 4: Did the Company require from the agent, with the application, a copy of the NRR signed on or before the date the consumer signed the application? Ohio Adm.Code 3901-6-05(G)(2)(a)(ii)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	4	4	3	1	90%	75%
Universal Life	4	4	3	1	90%	75%
Variable Life	7	7	6	1	90%	86%

Examiners' Recommendation: The Company should revise its procedures to require that the NRR be completed and signed no later than the date the application is signed and accompany the application when sent to the Company.

Test 5: Did the Company maintain evidence in the file of the NRR, the policy summary, and contract summary or any ledger statement used? Ohio Adm.Code 3901-6-05(G)(3)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	4	4	4	0	90%	100%
Universal Life	4	4	4	0	90%	100%
Variable Life	7	7	7	0	90%	100%

Test 6: Did the Company provide notification in or with the policy about the 20-day "free look" period and premium refund? Ohio Adm.Code 3901-6-05(G)(4)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	4	4	4	0	90%	100%
Universal Life	4	4	4	0	90%	100%
Variable Life	7	7	7	0	90%	100%

UNREPORTED INDIVIDUAL LIFE REPLACEMENTS

Standard: Company rules pertaining to requirements in connection with replacements are in compliance with applicable statutes and rules.

Test: Did the Company's practices of handling new business applications properly identify policies that were replacing existing policies according to Ohio Adm.Code 3901-6-05(G)(3)?

Methodology:

- The examiners reviewed the Company's written policies and procedures that applied to the acceptance and processing of new business applications.
- The Company supplied a report of all new business applications received between January 1, 2003, and December 31, 2004. Where an existing policy was to be replaced, the new business records were identified as either an "internal" or an "external" replacement.
- The Company supplied a copy of its replacement register for business replaced in Ohio during the examination period. The Company's procedures to record

applications proposing “replacement” are based on IMSA standards. These standards have a broader definition of “replacement” than Ohio’s “Replacement Rule,” Ohio Adm.Code 3901-6-05.

Included in the IMSA definition are transactions, such as rollovers from 401K benefit plans and replacing existing employer sponsored group coverage, which are outside the scope of Ohio’s Replacement Rule.

- The list of new business policies marked as a replacement by the Company was compared to the Company’s replacement register.
- The examiners considered a file to be an exception if an existing insurance policy was replaced with a Hartford Life & Annuity policy, and the application was not listed on the Company’s replacement register.

Findings: All 1063 files identified as “replacements” in the Company’s new business file had a matching entry in the Company’s replacement register.

COMPLAINT HANDLING

Standard: An insurer shall adopt and implement reasonable standards for the proper handling of written communications, primarily expressing grievances, received by the insurer from insureds or claimants.

Test: Did the Company adopt and implement reasonable standards for handling written communications, primarily expressing grievances, including procedures to make a complete investigation of an insured’s or claimant’s complaint and respond as required by Ohio Adm.Code 3901-1-07(C)(15)?

Methodology:

- The examiners reviewed all written procedures.
- The Company supplied a report of all consumer complaints received during the examination period regardless of source.
- The examiners reviewed the entire population of 9 consumer complaints.
- The examiners considered the following to be an exception:
 1. A failure to respond appropriately to the consumer’s inquiry, request, or complaint.
 2. If appropriate, a failure to take follow up action as the result of the consumer’s inquiry, request, or complaint.

Findings:

Population	Yes	No	Standard	Compliance
9	9	0	90%	100%

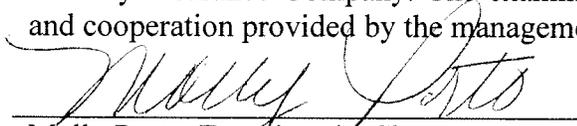
The standard for compliance is 90%. The Company’s practices met this standard.

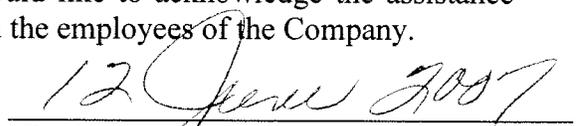
SUMMARY

The examination found the Company to be out of compliance in the following areas:

<u>Areas of Review</u>	<u>Compliance Standard</u>	<u>Compliance Rate</u>
External Replacements—Agent Requirements		
Did the agent present a “Notice Regarding Replacement” (“NRR”) to the applicant no later than the time of the application? Ohio Adm.Code 3901-6-05(E)(2)(a)		
Universal Life	90%	86%
External Replacements—Company Requirements		
Did the Company include in the written communication a policy summary, contract summary, or ledger statement to each existing insurer? Ohio Adm.Code 3901-6-05(G)(2)(b)		
Term Life	90%	36%
Universal Life	90%	52%
Variable Life	90%	0%
Internal Replacements—Agent Requirements		
Did the agent present a “Notice Regarding Replacement” (“NRR”) to the applicant no later than the time of the application? Ohio Adm.Code 3901-6-05(E)(2)(a)		
Term Life	90%	75%
Universal Life	90%	75%
Variable Life	90%	86%
Did the agent submit, with the application, a copy of the “Notice Regarding Replacement” to the replacing company? Ohio Adm.Code 3901-6-05(E)(2)(d)		
Term Life	90%	75%
Universal Life	90%	75%
Variable Life	90%	86%
Internal Replacements—Company Requirements		
Did the Company require from the agent, with the application, a copy of the NRR signed on or before the date the consumer signed the application? Ohio Adm.Code 3901-6-05(G)(2)(a)(ii)		
Term Life	90%	75%
Universal Life	90%	75%
Variable Life	90%	86%

This concludes the report of the market regulation examination of the Hartford Life and Annuity Insurance Company. The examiners would like to acknowledge the assistance and cooperation provided by the management and the employees of the Company.


 Molly Porto, Examiner-in-Charge


 Date

COMPANY RESPONSE



January 12, 2007

RECEIVED
JAN 16 2007
OHIO DEPT. OF INSURANCE
MARKET CONDUCT DIVISION

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Assistant Vice President and
Senior Counsel
The Hartford
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Daniel J. Atkisson, CPCU, CIDM, CIE
Insurance Compliance Supervisor
Ohio Department of Insurance
2100 Stella Court
Columbus, Ohio 43215-1067

Re: Hartford Life and Annuity Insurance Company (NAIC #71153)
Market Conduct Examination – Draft Report

Dear Mr. Atkisson:

We have received the Hartford Life and Annuity Insurance Company Draft Report dated December 4, 2006. We are addressing only those items noted by the examiners as being below standard. We agree with the examiners' conclusions on those matters where the Company was found to be compliant.

- **External Replacements - Agent Requirements**

Test 3: Did the agent present a "Notice Regarding Replacement" ("NRR") to the applicant no later than the time of the application? Ohio Adm.Code 3901-6-05(E)(2)(a)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	380	50	48	3	90%	94%
Universal Life	109	50	43	7	90%	86%
Variable Life	549	50	47	3	90%	94%

Examiners' Recommendation:

The Company's procedures consider "at time of application" to be the period between the first document(s) submitted making application for a policy and all subsequent transactions before a policy is issued.

However, the NRR must be signed on or before the date that the application is signed. The Company should revise its procedures to require that the NRR be complete and signed no later than the date the application is signed.

Hartford Life
200 Hopmeadow Street
Simsbury, CT 06089
Mailing Address: P.O. Box 2999
Hartford, CT 06104-2999

Company Response: Hartford Life and Annuity Insurance Company will remind producers and its business partners to complete the Notice Regarding Replacement on or before the application is signed.

- **External Replacements - Company Requirements**

Test 8: Did the Company include in the written communication a policy summary, contract summary, or ledger statement to each existing insurer? Ohio Adm. Code 3901-6-05(G)(2)(b)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	380	50	18	32	90%	36%
Universal Life	109	50	26	24	90%	52%
Variable Life	549	50	0	50	90%	0%

Examiners' Comments:

The examiners found that the Company failed to send policy summaries to existing insurers as part of the replacement notice.

During the exam period the Company did not have a procedure to send a copy of the variable life prospectus and premium contribution amounts to the existing insurer with its replacement notice. The Company became aware of this practice during an internal audit and corrected its procedures in late 2004. The procedure changes were implemented in early 2005. Accordingly, the examiners have no additional recommendations for the Company's variable life new business practices.

Examiners' Recommendation: The examiners recommend that the Company amend its term life and universal life new business practices to establish controls to assure that notices to existing insurers include policy benefit summaries as required by Ohio Adm.Code 3901-6-05(G)(2)(b).

Company Response: As stated above, Hartford Life and Annuity Insurance Company independently identified and implemented procedures in early 2005 to ensure that the existing insurer receives a policy summary or the prospectus and premium contribution amounts along with the notification of a possible replacement. At the time the Variable process was implemented, the company also strengthened the processes and controls surrounding the term life and universal life new business practices with regard to the policy benefit summaries.

- **Internal Replacements - Agent Requirements**

Test 3: Did the agent present to the applicant a "Notice Regarding Replacement" no later than the time of the application? Ohio Adm.Code 3901-6-05(E)(2)(a)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	4	4	3	1	90%	75%
Universal Life	4	4	3	1	90%	75%
Variable Life	7	7	6	1	90%	86%

Examiners' Recommendation: The Company should revise its procedures to require that the NRR be completed and signed no later than the date the application is signed.

Company Response: Hartford Life and Annuity Insurance Company will remind producers and its business partners to complete the Notice Regarding Replacement on or before the application is signed. Please note, however, that the company's procedure is not to issue a new policy until the form is received.

Test 4: Did the agent submit, with the application, a copy of the "Notice Regarding Replacement" to the replacing company? Ohio Adm.Code 3901-6-05(E)(2)(d)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	4	4	3	1	90%	75%
Universal Life	4	4	3	1	90%	75%
Variable Life	7	7	6	1	90%	86%

Examiners' Recommendation: The Company should revise its procedures to require that the NRR be completed and signed no later than the date the application is signed and accompany the application when sent to the Company.

Company Response: Hartford Life and Annuity Insurance Company will remind producers and its business partners to complete the Notice Regarding Replacement on or before the application is signed. Please note, however, that the company's procedure is not to issue a new policy until the form is received.

- **Internal Requirements - Company Requirements**

Test 4: Did the Company require from the agent, with the application, a copy of the NRR signed on or before the date the consumer signed the application? Ohio Adm.Code 3901-6-05(G)(2)(a)(ii)

Line of Business	Population	Sample	Yes	No	Standard	Findings
Term Life	4	4	3	1	90%	75%
Universal Life	4	4	3	1	90%	75%
Variable Life	7	7	6	1	90%	86%

Examiners' Recommendation: The Company should revise its procedures to require that the NRR be completed and signed no later than the date the application is signed and accompany the application when sent to the Company.

Company Response: Hartford Life and Annuity Insurance Company will reinforce its procedure and remind producers and business partners to complete the Notice Regarding Replacement on or before the application is signed. Please note, however, that the company's procedure is not to issue a new policy until the form is received.

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Daniel Atkisson
January 12, 2007

We would like to thank the Department and the Examiners for their professionalism and cooperation before, during and after the examination. Please feel free to contact us if you need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Debra A. Hampson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Debra A. Hampson

STATE OF OHIO
THE OHIO DEPARTMENT OF INSURANCE

IN THE MATTER OF)
HARTFORD LIFE & ANNUITY)
INSURANCE COMPANY)
MARKET REGULATION DESK AUDIT)

CONSENT ORDER

The Superintendent of the Ohio Department of Insurance (Department) is responsible for administering Ohio insurance laws pursuant to Ohio Revised Code, Section 3901.011. Hartford Life & Annuity Insurance Company (Company) is authorized to engage in the business of insurance in the State of Ohio and as such is under the jurisdiction of the Superintendent and the Department. The Department conducted a desk audit of the Company's replacement activities for individual life insurance from the period of January 1, 2003 through December 31, 2004, "A Market Conduct Examination of Hartford Life & Annuity Insurance Company, NAIC 71153 as of December 31, 2004," which is incorporated by reference herein.

SECTION I

As a result of the market conduct examination, the Superintendent alleges that the Company failed to comply with the requirements of sections 3901-6-05(E)(2)(a), 3901-6-05(E)(2)(d), 3901-6-05(G)(2)(a)(ii) and 3901-6-05(G)(2)(b) of the Ohio Admin. Code, which is an unfair and deceptive trade practice pursuant to sections 3901.19 through 3901.23 of the Revised Code.

SECTION II

It is hereby agreed by the parties that:

(A) The Superintendent and Company enter into this Consent Order to fully and completely resolve the allegations as set forth in Section I of this Consent Order. Further, Company specifically admits to the allegations set forth in Section I.

(B) Company has been advised that it has a right to a hearing before the Superintendent pursuant to Chapter 119 of the Revised Code on the allegations set forth in Section I; that, at hearing, Company would be entitled to appear representing itself or represented by an attorney or other representative who is permitted to practice before the agency; and that, at a hearing, it would be entitled to present its position, arguments or contentions in writing and to present evidence and examine witnesses appearing for and against it. Company hereby waives all such rights.

(C) Company consents to the jurisdiction of the Superintendent and the Department to determine the issues set forth herein. Company expressly waives any prerequisites to jurisdiction that may exist.

(D) Company shall review and modify its internal guidelines and procedures in order to assure both its compliance and its agents' compliance with Ohio's Replacement Rule as set forth in section 3901-6-05 of the Ohio Admin. Code, as amended, for all life insurance products it markets and sells in the State of Ohio.

(E) Company shall pay an administrative fine in the amount of Two Thousand Dollars (\$2,000), by check or money order, within thirty (30) days of receipt of an invoice from the Department. Its remittance shall be made payable to: "Ohio Department of Insurance."

(F) Company waives any and all causes of action, claims, rights, whether known or unknown, which it may have against the Superintendent, the Department, and any employees, agents, consultants or officials of the Department, in their individual or official capacities, as a result of any acts of omissions on the part of such persons or firms arising out of the matter set forth in Section I of this Consent Order.

(G) Company has read and understands this Consent Order. Company fully understands that it has a right to seek counsel of its choice and to have counsel review this Consent Order.

(H) This Consent Order has the full force and effect of an Order of the Superintendent. Failure to abide by the terms of this Consent Order shall constitute an actionable violation in and of itself without further proof and may subject Company to any and all remedies available to the Superintendent.

(I) This Consent Order shall be entered in the Journal of the Ohio Department of Insurance. All parties understand and acknowledge that this Consent Order is a public document pursuant to section 149.43 of the Revised Code.

DATE 5-14-2007

HARTFORD LIFE & ANNUITY
INSURANCE COMPANY

By: Debra A. Hampson
DEBRA A. HAMPSON
Title: ASSISTANT VICE PRESIDENT

DATE 23 May 2007

Mary Jo Hudson
MARY JO HUDSON
DIRECTOR, SUPERINTENDENT OF INSURANCE
THE OHIO DEPARTMENT OF INSURANCE