

STATE OF CONNECTICUT

INSURANCE DEPARTMENT

ORDER ADOPTING REPORT OF EXAMINATION

I, Thomas R. Sullivan, Insurance Commissioner of the State of Connecticut, having fully considered and reviewed the Examination Report (the "Report") of HARTFORD LIFE AND ANNUITY INSURANCE COMPANY (the "Company") as of September 30, 2009, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions,

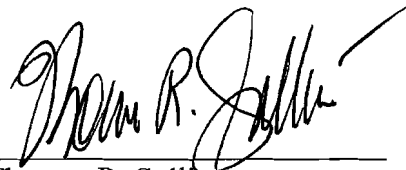
TO WIT:

1. I, Thomas R. Sullivan, as the 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;
2. The Company is a domestic insurer authorized to transact the business of insurance in the State of Connecticut;
3. On March 10, 2010, the verified Examination Report of the Company was filed with the Connecticut Insurance Department.
4. In accordance with Conn. Gen. Statutes §38a-14(e) (3), the Company was afforded a period of thirty (30) days within which to submit to the Connecticut Insurance Department a written submission or rebuttal with respect to any matters contained in the Report.
5. On April 9, 2010, the Company filed a written submission indicating that they were in agreement with all the recommendations contained in 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 Examination Report of the Company hereby is adopted as filed with the Insurance Department.
2. The Company shall comply with all of 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 Connecticut General Statutes.

Dated at Hartford, Connecticut this 29th day of April 2010.

A handwritten signature in black ink, appearing to read "Thomas R. Sullivan", written over a horizontal line.

Thomas R. Sullivan,
Insurance Commissioner

LIMITED EXAMINATION REPORT

OF

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

AS OF

SEPTEMBER 30, 2009

BY THE

CONNECTICUT INSURANCE DEPARTMENT

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

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March 8, 2010

The Honorable Thomas R. Sullivan
Insurance Commissioner
State of Connecticut
153 Market Street, 6th Floor
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 made a limited examination of the conditions and affairs of

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

(hereinafter referred to as “Hartford Annuity”), a corporation with capital stock, incorporated under the laws of the State of Connecticut and having its statutory home office and its main administrative office located at One Hartford Plaza, Hartford, Connecticut. The report of such examination is submitted herewith.

SCOPE OF EXAMINATION

The current examination was limited to Commercial Mortgage Backed Securities (“CMBS”). As of year-end 2008, the insurance industry as a whole and Hartford Annuity’s CMBS investments totaled \$216 billion and \$1.3 billion, respectively.

As part of the examination planning procedures, the Division of Financial Regulation of the Connecticut Insurance Department (the Division) reviewed the following:

- Materials included in the January 21, 2010, meeting with Hartford Annuity executives; and
- November 18, 2009 NAIC Securities Valuation Office Report on Hartford Annuity’s CMBS.

The previous examination of Hartford Annuity was conducted as of December 31, 2007. A review of its 2007 examination indicated no material concerns with respect to CMBS; although a recommendation was made to incorporate mark-to-market stress scenarios in sector level testing. The Division used contractors for their investment expertise in the 2007 examination.

This examination was conducted on a limited scope basis in accordance with the procedures outlined in the NAIC Financial Examiners Handbook (Handbook) and based upon the most recent (2008) annual statement filed. Comments in this report are generally limited to exceptions noted or to items considered to be of a material nature. Failure of items in this report to add to totals, or for totals to agree with captioned amounts, is due to rounding.

HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

BACKGROUND

Hartford Annuity had a material commercial real estate exposure that contributed to its potential losses. In 2008, its CMBS portfolio of \$1.3 billion represented 15% of total bonds, which was its third largest bond class. Coupled with commercial mortgage portfolio, its exposure was collectively \$2 billion or 14% of cash and invested assets. The bond portfolio, in aggregate, totaled \$8 billion and generated \$892 million in potential losses (the difference between fair value and book adjusted carrying value), which represented 41% of total capital. The potential losses were predominantly generated from CMBS (\$439 million), which contributed 50% of potential losses (20% of total capital). In 2009, its CMBS portfolio decreased to \$816 million.

In 2008, Hartford Annuity's capital position on a standalone basis was stronger than that of its peers. It reported low balance sheet leverage (as measured by cash and invested assets to total capital), of 6 times as compared to a life insurance industry average of 9 times. It was liquid with \$2 billion or 17% in cash and short-term investments.

Hartford Annuity's CMBS portfolio was of fair credit quality. As of 2008, the majority of Hartford Annuity's CMBS portfolio, (70%), was acquired during the non-conservative underwriting years of 2005 through 2007. Hartford Annuity curtailed its CMBS purchases during 2008 to a low of \$83 million. More than half of its CMBS holdings were in senior tranches (62%). The rest were in interest only strips (16%) subordinated tranches (15%) and mezzanine (7%). It had an average of 25% or less subordination support. Some (36%) of Hartford Annuity's CMBS holdings were in Re-Remics, which were special purpose vehicles used to repackage CMBS where the underlying collateral were CMBS. The majority was collateralized with whole mortgage loans. At year-end 2008, 95% of CMBS were designated as NAIC-1 with the majority of the balance designated as NAIC-2. By August 2009, the percentage of CMBS designated as NAIC-1 decreased to 91%, as the NAIC-2 through 6 designation percentages increased.

PROCEDURES PERFORMED

The CMBS portfolio review focused on high risk factors such as tranche seniority, collateral vintage and maturity. Our analysis focused on six securities that had the lower designations (NAIC-5 and lower) and generated the largest potential losses based upon the Hartford Annuity's market value at December 31, 2008.

CONCLUSION

As of September 30, 2009, Hartford Annuity's CMBS assets were fairly stated in accordance with guidance outlined in the NAIC Accounting Practices and Procedures Manual and were acceptable under §38a-102 of the CGS. No significant adjustments or adverse findings were identified for the area reviewed in this limited scope examination.

HARTFORD LIFE AND ANNUITY INSURANCE AND ANNUITY COMPANY

SIGNATURE

In addition to the undersigned, Christopher Gallo of the Division staff participated in this examination.

I, Elaine Wieche, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject Hartford Annuity's CMBS as of September 30, 2009, to the best of my information, knowledge and belief.

Respectfully submitted,

Elaine Wieche

Elaine Wieche
Insurance Certified Financial Examiner
State of Connecticut
Insurance Department

State of Connecticut

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County of Hartford

Subscribed and sworn to before me, Patricia Butler, Notary
Public/~~Commissioner of the Superior Court~~, on this 8th, day of March,
2010.

Patricia A. Butler
Notary Public/Commissioner of the Superior Court

My commission expires My Commission Exp. Sep. 30, 2013