
The Hartford sells individual life business to Prudential for \$615m

By Editor Test Wed, Oct 3, 2012

The Hartford will continue to sell new life insurance products and riders through the transaction's 2013 closing and during a defined transition period thereafter.

The announcement marks final agreement for the company's three planned sales for a net statutory capital benefit of \$2.2 billion from the combined sales.

The Hartford, which announced in March that it would focus on its property and casualty, group benefits and mutual funds businesses, has agreed to sell its individual life insurance business to Prudential Financial, Inc. for cash consideration of \$615 million. The sale, which is structured as a reinsurance transaction, is expected to close in early 2013.

The terms of The Hartford's existing life insurance contracts will remain unchanged, and policyholders will continue to receive uninterrupted, high-quality service, and The Hartford will continue to sell new life insurance products and riders through the transaction's closing and during a defined transition period thereafter. Employees of The Hartford's Individual Life business will be offered positions with Prudential.

The Individual Life segment reported core earnings, excluding DAC [deferred acquisition costs] unlock, of \$129 million for the 12 months ended on June 30, 2012, or net income of \$105 million. The Hartford does not expect to record a material net income gain or loss on the closing of the transaction, based on June 30, 2012, financials.

The agreement is the last of three planned transactions that have been announced within the past three months. The Hartford announced the sale of Woodbury Financial Services to AIG's Advisor Group in late July and the sale of its retirement plans business to MassMutual in early September. The company is also transitioning its individual annuity business to Forethought.

The Hartford expects the latest transaction to benefit its net statutory capital by approximately \$1.5 billion, including an increase in statutory surplus and a reduction in required risk-based capital. In aggregate, the three announced transactions are expected to benefit the company's net statutory capital by approximately \$2.2 billion, including approximately a \$1.4 billion increase in statutory surplus and an \$800 million reduction in required risk-based capital.

In addition, the company will continue to hold approximately \$450 million of statutory capital to support the businesses reinsured to buyers as part of the transactions. The estimated statutory financial impacts are based on June 30, 2012, values and are subject to change based on market conditions and financial results through closing date. The Hartford intends to work with its key constituencies on these transactions and expects to provide an update on the use of proceeds in early 2013.

Following the close of the transaction, Prudential will reinsure liabilities for the contracts covered by the agreement and assume investment assets with a statutory book value of approximately \$7 billion in support

of these liabilities.

The Hartford's financial advisors for the Individual Life transaction are Goldman, Sachs & Co. and Greenhill & Co., and the company's legal advisor is Sutherland Asbill & Brennan LLC.

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