

January 27, 2017

VIA HAND DELIVERY AND E-MAIL

Brent J. Fields, Esq.
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

**Re: Response to Request for a Hearing by Raymond James Financial on
Substitution Applications by Hartford Life Insurance Company et al., File
Nos. 812-14446 and 812-14447**

Dear Mr. Fields:

On behalf of Hartford Life Insurance Company and Hartford Life and Annuity Insurance Company (together, "Hartford Life"), Hartford Investment Management Company ("HIMCO"), and the other applicants (collectively, the "Applicants") named in the above-referenced substitution applications (the "Applications"), we are submitting this response to the hearing request submitted by Raymond James Financial ("Raymond James"), dated December 28, 2016.

The Applicants respectfully request that the U.S. Securities and Exchange Commission (the "Commission") deny the requested hearing and issue orders approving the Applications. The Applications and the related administrative record¹ clearly demonstrate that a hearing is not necessary or appropriate and that Commission approval of the substitutions is consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Investment Company Act of 1940 ("1940 Act").

The Applicants appreciate the opportunity to respond to Raymond James' request. The request reflects some misunderstandings that need clarification. To address those misunderstandings, Hartford Life respectfully highlights the following background information and important considerations:

¹ The Applicants also refer the Commission to the other letters that the Applicants have submitted in response to additional hearing requests on the Applications.

At the outset, Hartford Life notes that Raymond James has been and continues to be a valued business partner. During the application process, Hartford Life conferred with Raymond James and other major distribution partners on numerous occasions to provide updates on the status of the Applications, as well as to provide detailed information about the substitutions.

With respect to the hearing request, all of Raymond James' assertions essentially relate to two overarching concerns: (i) the characteristics of the replacement funds in comparison to the existing funds, and (ii) the impact of the substitutions on the value of the contract guarantees. The Applications and the related administrative record address these concerns, and therefore a hearing is neither necessary nor appropriate.

The post-substitution fund line-ups will continue to offer contract owners a comparable variety of funds, which have a broad range of risk/return profiles and are managed by proven and experienced investment managers.

The replacement funds have substantially similar investment objectives, strategies, and risks, and substantially similar risk/return profiles, as the corresponding existing funds. Broadridge®, an independent third party, has classified all of the replacement funds as actively managed funds.² The replacement funds will be managed by proven and experienced investment managers, HIMCO and BlackRock. Although the replacement funds will not begin operations until the substitutions are effected, the portfolio managers for the replacement funds have established track records and extensive experience employing the replacement funds' investment mandates.

Nine of the eleven replacement funds have investment mandates that are substantially similar to other accounts managed by HIMCO or BlackRock. Related composite/account performance histories for these other accounts are disclosed in the prospectuses for those replacement funds and were included in the Applications. The remaining two replacement funds have investment mandates with which BlackRock has extensive experience. Both HIMCO and BlackRock have the experienced personnel, technology, processes, and policies and procedures to effectively manage the replacement funds.

In addition, Hartford Life's fund platform will continue to host an array of experienced investment managers other than HIMCO and BlackRock, including Hartford, Wellington, American Funds, Invesco, MFS, Franklin Templeton, AllianceBernstein, Fidelity, Lord Abbett, Putnam, Morgan Stanley, Wells Fargo, JPMorgan, Prudential, American Century, PIMCO, and others. Put simply, contract owners will not be substituted into funds with dissimilar investment

² Broadridge, an independent provider of investment company data, creates reports specifically designed to provide boards of directors the necessary fee, expense, and investment performance information to help fulfill their governance responsibilities.

objectives, strategies, or risks or unproven investment managers, and contract owners will continue to have access to an array of experienced investment managers and funds with a broad range of risk/return profiles.

Furthermore, the specific circumstances of the proposed substitutions as set forth in the Applications are not unique. The Commission has approved numerous substitutions through which several existing funds were replaced by a single replacement fund.³ Similarly, the Commission has previously permitted substitutions involving replacement funds with no histories or very limited histories of operations.⁴ Clearly, as evidenced by the plethora of supporting precedent, such circumstances are not inconsistent with the protection of investors or the policy and provisions of the 1940 Act.

The substitutions are also consistent with Hartford Life's contractual rights. Here, Hartford Life is exercising its contractual right to alter its fund offerings. Substitution provisions, such as those included in Hartford Life's variable annuity contracts, along with many other insurance company contractual rights, are universal to variable insurance contracts in the marketplace and to the insurance business as a whole. The reason is both simple and vitally important: insurance companies are not able to offer the significant benefits of variable insurance contracts without reserving certain contractual rights, including the right to substitute funds. The ability of insurance companies to exercise these rights, as needed, is one of the primary ways they manage their insurance risks and operational expenses over the long life of insurance benefit guarantees, as well as manage their contract owners' changing needs over those same durations. Hartford Life never represented that the fund line ups for its variable annuity contracts would remain static or that any single fund would be available ad infinitum, and its distributors would have no reason to do so either. Any such representation would be contrary to the rights Hartford Life has reserved in its variable insurance contracts.

³ See, e.g., Horace Mann Life Ins. Co. et al., Rel. No. IC-31744 (Aug. 7, 2015) (Order) (File No. 812-14336) (12 funds replaced by 1 fund); Minnesota Life Ins. Co. et al., Rel. No. IC-31028 (Apr. 24, 2014) (Order) (File No. 812-14203) (6 funds replaced by 1 fund); Lincoln Nat'l Life Ins. Co. et al., Rel. No. IC-30517 (May 14, 2013) (Order) (File No. 812-14063) (5 funds replaced by 1 fund); Nationwide Life Ins. Co. et al., Rel. No. IC-28815 (July 8, 2009) (Order) (File No. 812-13495) (6 funds replaced by 1 fund); ING Travelers Ins. Co. et al., Rel. No. IC-27307 (Apr. 27, 2006) (Order) (File No. 812-13250) (6 funds replaced by 1 fund).

⁴ See, e.g., Minnesota Life Ins. Co. et al., Rel. No. IC-31028 (Apr. 24, 2014) (Order) (File No. 812-14203); Pruco Life Ins. Co. et al., Rel. No. IC-30209 (Sept. 20, 2012) (Order) (File No. 812-13990); New York Life Ins. & Annuity Co. et al., Rel. No. IC-29947 (Feb. 14, 2012) (Order) (File No. 812-13903); Nationwide Life Ins. Co. et al., Rel. No. IC-29505 (Nov. 22, 2010) (Order) (File No. 812-13648); Nationwide Life Ins. Co. et al., Rel. No. IC-28815 (July 8, 2009) (Order) (File No. 812-13495).

The insurance benefits provided under the contracts covered by the Applications will be the same immediately before and after the substitutions. Furthermore, the value of any contract guarantee will not materially change as a result of the substitutions.

As part of the Commission staff's review of the Applications, the staff specifically sought information about how the substitutions would impact the value of contract guarantees. In this regard, the administrative record clearly reflects the following:

- The substitutions do not amend the benefit provisions of the insurance contracts in any way;
- The replacement funds are actively managed and have substantially similar investment objectives, strategies, and risks as the corresponding funds to be replaced;
- Contract owners will continue to have access to the same asset classes (*e.g.*, equity, fixed income, balanced);
- Contract owners' permitted and actual equity investment allocation percentages will not decrease as a result of the proposed substitutions;
- Contract owners will continue to have access to funds with substantially similar risk/return characteristics; and
- All contract owners will continue to have access to funds with a variety of investment styles offered by proven investment managers.

For these reasons, the value of any contract guarantee will not materially change as a result of the substitutions. After much consideration, the Commission staff asked the Applicants to include a representation to this effect in the Applications, and they did so.⁵

Additionally, contract owners will benefit from the proposed substitutions. The variable annuity contracts that are covered by the Applications have numerous (sometime a half dozen or more) overlapping and redundant underlying mutual fund investment options – options with substantially similar investment objectives, strategies, and risks. Reducing the number of overlapping investment options (and the complexity such redundancies create) will not change the fundamental features of the variable annuity contracts at issue. However, they will serve to streamline the fund offerings in a way that preserves investor choice while limiting investment strategy redundancies and avoiding potential investor confusion. Also, the net fund expenses

⁵ Of course, any benefits ultimately paid to contract owners will depend on their particular circumstances (*e.g.*, age at the time when the contract was purchased, age at death), actions they specifically take or do not take (*e.g.*, the date they begin taking the withdrawals available under a contract guarantee) and the actual performance of the investment options contract owners are invested in. As is the case with any investment option, future performance cannot be predicted or guaranteed – not by *any* investment manager.

borne by contract owners who are currently invested in one or more of the existing funds will be lower immediately following the substitutions. Hartford Life has also agreed to cap fund expenses, as well as contract fees and charges, for a period of at least two years following the substitutions.

As described in the Applications, the substitutions will reduce Hartford Life's costs by increasing operational efficiencies with respect to administration and compliance matters and may also enhance Hartford Life's ability to manage the costs and risks associated with contract guarantees. The substitutions were not designed to reduce the size of Hartford Life's variable annuity business. Hartford Life spent significant time and resources evaluating each product's fund offerings to ensure that the product's post substitution fund line-up will offer a comparable variety of funds with as broad a range of risk/return characteristics.

Finally, Raymond James notes some concerns about customer communications relating to the substitutions. As described in the Applications, Hartford Life is committed to providing contract owners with clear and timely communications and information about the substitutions and the replacement funds. Hartford Life will model these communications after those that numerous life insurance companies have used when executing similar substitutions over the past decade. Hartford Life will continue to provide Raymond James and all of its distribution partners with supporting materials and other appropriate information about the substitutions and the replacement funds. Hartford Life has consistently demonstrated its commitment to providing firms and advisors with clear and timely communications regarding Hartford Life's variable annuity contracts.

Raymond James is not an interested person entitled to request a hearing for purposes of Rule 0-5.

Rule 0-5 under the 1940 Act provides that only "interested persons" are entitled to request a hearing before issuance of an order of the Commission approving an application.⁶ The Commission has consistently defined an "interested person" for purposes of Rule 0-5 as someone who has "an ownership or other direct interest in the applicants at issue or [that can] demonstrate that it is likely to be harmed by the granting of the application."⁷

Raymond James is not an interested person within the meaning of Rule 0-5. Raymond James does not state an ownership or other direct interest in the Applicants. Raymond James states it will be harmed by the substitutions, but the stated harm does not support the conclusion that Raymond James is an interested person for purposes of requesting a hearing. Raymond

⁶ See 17 C.F.R. § 275.0-5(a), (c).

⁷ See Chase Manhattan Bank and Chem. Bank, Rel. No. IC-23186 (May 14, 1998) (Order) (File No. 812-10136); see also, e.g., Potomac Capital Inv. Corp. et al., Rel. No. IC-17238 (Nov. 28, 1989) (Order) (File No. 812-6035).

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James indicates that it will be harmed by the substitutions because it will have to provide services to its customers – such as communications – and that these services will cause Raymond James to incur expenses. Through commissions and otherwise, Raymond James has been compensated to provide such services to its customers. Raymond James cannot persuasively claim that it is being harmed by having to provide services for which it has been compensated.

* * *

The Applicants respectfully request that the Commission deny the requested hearing and issue orders approving the Applications. The Applications, as supported by the administrative record, clearly demonstrate that Commission approval of the substitutions is appropriate and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act. As a result, a hearing is neither necessary nor appropriate.

Sincerely,



Stephen E. Roth



Dodie C. Kent

cc: Scott L. Stolz, Senior Vice President, Raymond James
Jonathan N. Santelli, Executive Vice President and General Counsel, Raymond James

CERTIFICATE OF SERVICE

I, Dodie C. Kent, an attorney at law representing Hartford Life Insurance Company and the other applicants for orders of approval and exemption from the U.S. Securities and Exchange Commission under the Investment Company Act of 1940, as amended, File Nos. 812-14446 and 812-14447, hereby certify that, on January 30, 2017, I caused a true and correct copy of the foregoing response to the request for a hearing by Raymond James Financial, dated December 28, 2016, to be served by delivery to:

Scott L. Stolz
Senior Vice President
Raymond James Financial
880 Carillon Parkway
St. Petersburg, FL 33716

Dodie C. Kent

Dodie C. Kent
Partner
Sutherland Asbill & Brennan LLP