Dear Mr. Fields:

This letter responds, on behalf of Capital Research and Management Co. ("CRMC") and American Funds Insurance Series ("AFIS"), to Hartford Life Ins. Co.'s ("Hartford") letter, dated January 21, 2017 ("Hartford Letter"), opposing our requests for a hearing filed with respect to the above-captioned exemptive applications ("Applications").

Hartford’s Letter, by its own terms, compels the Commission to hold a hearing on the Applications, since the Letter:

- Effectively asserts, on behalf of the Commission, that Notices of the Applications were formalities, not intended to elicit (or permit) meaningful public input in advance of a Commission decision. Thus, Hartford states, “The hearing requests do not raise any issues that have not already been resolved to the satisfaction of the Commission staff.”¹ However, there is no record of the issues the Staff considered, the documents it reviewed, conclusions the Staff (as opposed to Hartford) reached, the basis for any Staff conclusions, nor any indication there was a meaningful review of the myriad issues we have previously raised in good faith. This is an unusual instance in which requested exemptive relief is contested by multiple parties, making the Staff’s review and analysis—not Hartford’s assertions about them—essential;

- Ignores crucial facts and circumstances underlying the Applications. For example, Hartford’s Letter ignores and fails to address the fact that the Applications are an integral part of its strategy to abandon and sell its variable annuity lines of

¹ Hartford Letter, at p. 1.
business, in part by causing remaining contractholders to abandon their Hartford variable annuity contracts, as set forth in our letters requesting a hearing. In addition, Hartford’s Letter does not disclose that it is exiting the variable annuity contract business to reduce or eliminate “its exposure to the guarantees that come along with some variable annuities” it sold;\(^2\)

- Relies on discussions with, documents, studies and other materials submitted to, and conclusions assertedly reached by, the Staff, although those discussions and conclusions are reflected nowhere in the record and, to this day, remain wholly unavailable to commenters on the Applications. But, before formal agency action can be taken—like approval of substitution requests pursuant to Investment Company Act Section 26(c) Hartford seeks here—interested persons must have a meaningful opportunity to (1) understand the basis for the proposed action, (2) understand the basis for any favorable agency conclusion, and (3) be heard;\(^4\)

- Relies—for the first time publicly—on a third-party “classification” of Hartford’s proposed replacement funds, without providing the classification, disclosing the basis for the “classification,” or providing any support for the assertions of the third-party’s expertise and independence.\(^5\) Since the public

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\(^4\) See 5 U.S.C. §706(2) (reviewing courts must hold unlawful and set aside actions, findings, and conclusions found to be arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law); see also Motor Vehicle Mfr. Ass’n v. State Farm Mut. Auto. Ins. Co., 463 U.S. 29, 43 (1983) (agency must examine relevant data and articulate a satisfactory explanation for its action, including a rational connection between facts found and the choice made).

\(^5\) The conclusory statement that this classifier found the proposed substitution investments equivalent to investments unilaterally being revoked by Hartford cannot be tested without the underlying data and facts, including information on which the classifier assessed comparability. On the face of the Applications, however, it is manifestly clear that the classifier’s conclusion is erroneous. See the CRMC Request at page 10 and the AFIS Request at page 8 for support that the proposed replacement funds are not substantially similar to the current funds.
has not seen, or had an opportunity to comment on, the “classification,” it is impossible to determine its validity or, more importantly, whether the investment objectives, strategies and risks of the replacement funds are substantially similar to those of the current funds, a standard condition for exemptive relief under Section 26(c) of the Investment Company Act of 1940 (“1940 Act”). The Staff typically places great weight in substitution exemption applications on the similarity of the replaced funds to the existing funds. Given the importance of this condition, Hartford’s conclusory statement about the replacement funds’ classification requires far more analysis and context before the Commission could give it any weight.\(^6\) At a hearing, our expert witnesses will establish that the replacement funds do not have the same investment objectives, strategies or risk parameters as the current funds and, therefore, negatively impact the value of contractholder guarantees.

- Ignores or misstates prior Commission precedents regarding the standards applicable to substitution applications. For example, in our letters requesting a hearing, we noted the differences between these applications and prior Commission precedents, such as the order involving Principal Life Ins. Co., about which the Hartford Letter is silent.\(^7\) Moreover, the Hartford Letter does not—because it cannot—reference any precedent granting a substitution order where, as here, all the following are present:
  - Replacement funds with no history of operations or investment track records;
  - Replacement funds that fundamentally differ from existing funds;

\(^6\) The Hartford Letter claims it received a “classification” from Broadridge Financial Solutions, Inc. that both the existing funds and the proprietary Hartford funds that would replace them are both actively managed. But, Broadridge’s website, under the heading “Mutual Fund & Retirement Solutions,” lists eight potential services it makes available, none of which include the classification of mutual fund management styles. See Broadridge Website, “Mutual Fund & Retirement Solutions, http://www.broadridge.com/mutual-fund-retirement-solutions.

Substitutions of a single replacement fund for up to a dozen existing funds;

Replacement funds for which an affiliate is the investment adviser, generating hundreds of millions of dollars in additional revenue for the Hartford Life and the other applicants ("Applicants");

Restrictions on contractholders' choice in proposed substitutions;

Substitutions designed to facilitate Applicants' decision to exit the variable insurance business, not to benefit investor interests, thus eliminating market forces that would curb the Applicants' inclination to act in their own best interests and not in the contractholders' best interests;

The use of insurance company separate accounts to fund a new $16 billion business enterprise of a startup fund group;

A transaction causing a registered investment company to participate in or effect a $16 billion joint transaction and joint enterprise or profit-sharing arrangement, in violation of Section 17(d) of the 1940 Act and Rule 17d-1 thereunder;  

8 See 15 U.S.C. §80a-17(d), and 17 C.F.R. §275.17d-1 (2016). The substitution transactions that would fund new Hartford-managed startup funds meets the definition of "joint enterprise or other joint arrangement or profit-sharing plan" under Rule 17d-1 (that is, an arrangement where a registered investment company and an affiliated person are joint or joint and several participants, or share in the profits, of such enterprise). Given Hartford's material conflict of interest, this is the type of transaction that must be subject to Section 17(d). The standard for exemptive relief under Rule 17d-1 is different from the standard for Section 26(c), since the Commission must consider the extent to which the participation of the investment company is on a basis different from, or less advantageous than, that of other participants. Hartford has inexcusably failed to seek exemptive relief under Rule 17d-1, as it must.

Contracts with optional guarantee benefits;

Substitutions that result in substantially lower hedging costs for the insurance company;

An unprecedented number of proposed substitutions (62) in two simultaneously-filed Applications having the effect of obfuscating the magnitude of the proposed transactions; and

Replacement funds that completely eviscerate the manner in which the existing funds and variable annuities were marketed, (that is, Hartford's "Industry Leaders™" variable annuities were sold as offering the best of third party active management—a classic example of "bait-and-switch")

- Attributes to the Commission's Staff a directive that Hartford eliminate conditions Hartford claims it intended to offer contractholders, without any documentation regarding this unusual direction to the Applicants or its basis. Thus, Hartford claims the "staff requested the removal of" these standard conditions, and attributes that direction to the Staff's determination that, "given the totality of the representations and conditions in the Applications," "such condition was no longer necessary." While it is common for the Staff and applicants to have ongoing discussions on exemptive applications as a general matter, the elimination of a standard condition to a

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9 See Hartford Press Release announcing the introduction of the Hartford Leaders contracts, attached as Exhibit 1.

10 Hartford Letter, at p. 8 (emphasis supplied).

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substitution application, as claimed here by Hartford, is not only unusual but demonstrates why a response to the FOIA request submitted by AFIS over a year ago is critical.\(^\text{11}\) A Staff direction to remove conditions from a 1940 Act application intended to benefit investors, even if deemed unnecessary by the Staff, surely requires that contractholders and interested persons be informed of that fact, and given the opportunity to explore whether these conditions truly are unnecessary; and

- Ignores that these Applications seek *government* abrogation of an existing arms’ length, privately-negotiated contract, without providing parties to the contract (other than Hartford) due process of law.\(^\text{12}\)

- Asserts that Section 26(c) is in place primarily for the business interests of insurance companies.

- Fails to recognize that insurance company separate accounts are registered under the Investment Company Act of 1940 as unit investment trusts which contemplates substitutions only in compelling circumstances.

\(^\text{11}\) AFIS submitted a Freedom of Information Act ("FOIA") request on September 9, 2015. See AFIS Request at page 3. The FOIA Office’s last email, dated February 1, 2017 projected a response “by the first week of February.” To date, not a single document has been produced. This nearly 17-month delay, spanning portions of three calendar years, prevents interested parties’ efforts to identify and respond to issues raised by the Applications—and in the Hartford Letter—because the Staff has not authorized the FOIA Office to release information sought over a year and a half ago (see chart of the delay in processing the FOIA request, attached as Exhibit 2). *The Applicants ask the Commission to deny our hearing request on the basis of a secret record.* We cannot respond to materials cited by the Applicants but withheld from interested parties. This is particularly important because, unlike Staff comments on registration statements and proxy statements—routinely made public by being posted on the SEC’s Website as Edgar Correspondence—Staff comments and correspondence on 1940 Act exemptive applications are available only through FOIA requests.

\(^\text{12}\) Hartford argues that neither CRMC nor AFIS are interested persons entitled to request a hearing. But, as we have set forth previously, the Commission would abrogate an *existing* contract between multiple private sector parties if it were to grant the Applications, something it can only do after providing those adversely affected with due process of law. Hartford’s reading of 1940 Act Rule 0-5, 17 C.F.R. §275.0-5 (2016), is incorrect, as demonstrated in our initial letters requesting a hearing. But, even if Hartford were correct, there is no way a Commission rule could override a provision of the U.S. Constitution.
The SEC's application, notice and order process for substitutions is unknown by average contractholders. While notices of the applications are in the Federal Register and available after multiple "clicks" on the SEC's website, the average contractholder is highly unlikely to consult these sources for information about his or her contract. Existing contractholders have made investment decisions over a year-and-a-half since the Applications were filed—through new deposits or reallocation of existing investments—yet Hartford has failed to supplement its variable annuity prospectuses or update its latest registration statements to put contractholders on notice of the Applications' filing. 13 A reasonable contractholder considering new deposits or reallocating assets would surely deem it important that Hartford had filed applications with the Commission contemplating an unprecedented number of fund substitutions and changing their investment decisions. Reasonable contractholders would not necessarily be aware that they could request a hearing to contest—or seek modifications in—the Applications. 14 Because of this, the AFIS Board believes it is obligated to stand up for AFIS shareholders. A public hearing would have the benefit of shining sunlight on the proposed substitutions and alerting contractholders to their existence and the issues inherent therein.

While neither AFIS nor CRMC can expect to maintain a certain level of assets, the wholesale substitutions promoted by Hartford result in involuntary redemptions, and override or preclude individual redemption decisions by contractholders. The funds and their shareholders appropriately rely on their right to have the government protect their interests from harm. If contractholders were fully informed regarding the proposed substitutions, few, if any, would likely opt out of the investments they voluntarily chose because the proposed replacement funds are fundamentally different from, and detrimental to, the value of their current

13 When Hartford filed an application with the SEC on August 29, 2000 to substitute two funds in a variable annuity contract, it filed a prospectus supplement about the proposed substitutions with the SEC on September 5, 2000, seven days later. https://www.sec.gov/Archives/edgar/data/925999/000091205700040134/a2024932z497.txt and https://www.sec.gov/Archives/edgar/data/925997/000091205700040136/a2024938z497.txt (prospectus supplements)

14 Insurance companies seeking substitution relief from the Commission—unlike Hartford here, but like Hartford in the past—have supplemented their variable annuity prospectuses to inform contractholders that the insurance company is pursuing a substitution application. See, e.g., Sun Life Assurance Company of Canada, et al., 1940 Act Rel. Nos. 28570 (Dec. 23, 2008) (notice) and 28607 (Jan. 22, 2009) (order); Riversource Life Insurance Co. et al., 1940 Act Rel. Nos. 28527 (Dec. 4, 2008) (notice) and 28675 (Dec. 30, 2008) (order).
guarantees. Accordingly, there is no question that AFIS and its shareholders, as well as CRMC, will be harmed by the proposed substitutions. Further, Section 26(c) is the only provision of the federal securities laws that allows the Commission to substitute its judgment for those of investors. Because contractholders have no choice in the replacement of their funds, this authority should be exercised with great care. As we noted in our hearing request letters, upon recommendation of the Commission, Congress amended Section 26 to afford interested parties an opportunity to contest fund substitutions through a hearing when there are significant factual and policy issues as are present in this matter.15

Solely based on the statements in the Hartford Letter, as well as for the reasons set forth in each of the hearing requests filed in response to the Commission’s Notice, the need for, and appropriateness of, a hearing on the Applications is manifest. 16

Respectfully submitted,

Harvey L. Pitt
Kalorama Legal Services, PLLC
Counsel for CRMC

Thomas S. Harman
Morgan, Lewis & Bockius LLP
Counsel for AFIS

Cc: Scott Stolz, Raymond James Financial
Steven J, and Andrea D. Calhoun

NB: A copy of this letter has been furnished to each of the interested parties that have filed hearing requests, as well as to the Applicants, as set forth in the attached Certificate of Service.

15 See AFIS Request letter at pp. 10-11, and CRMC Request letter at p. 14.

16 We urge the Commission to post on its website, and make part of the record, the letter requesting a hearing sent to the Chair, the Commissioners, Richard Fleming of the Office of the Investor Advocate, and the Commission’s Inspector General on December 31, 2016, by John Waah, CFA and Steve Crane, Esq. (attached as Exhibit 3).
EXHIBIT 1

Hartford Life Begins Distribution of Hartford Leaders With American Funds, Franklin/Templeton, MFS
Company Launched First Multi-Manager Variable Annuity July 1

Jul 21, 1999, 01:00 ET from Hartford Life, Inc.
Simsbury, Conn., July 21 /PRNewswire/ -- Hartford Life, Inc. (NYSE: HLI), the nation's leading seller of individual variable annuities, has begun selling Hartford Leaders, a groundbreaking multi-manager variable annuity with investment options from American Funds, Franklin/Templeton Group, and MFS Investment Management.

Hartford Leaders is being wholesaled through the Hartford Leaders Group, a subsidiary of Hartford Life's PLANCO affiliate. The new variable annuity features 24 investment options from the three alliance members and incorporates many of the most popular product enhancements that have placed Hartford Life in the forefront of annuity sales and service.

"We are bringing recognized industry leaders together in this variable annuity by teaming with three premier investment managers, American Funds, Franklin/Templeton, and MFS," said Peter W. Cummins, senior vice president, Hartford Life. "We believe the track records and name recognition of the three investment managers, coupled with Hartford Life's competitive product design, broad access to distribution, and superior customer service, will make this new variable annuity a winning combination."

"Hartford Leaders focuses on the strengths of the four partners and is designed to benefit the consumer," Cummins said. "We have chosen eight core investment options from each of the three investment managers in order to provide a unique product as well as several of the most recognized names among broker/dealers."

Through its insurance subsidiaries, Hartford Life currently offers two of the industry's top-selling variable annuities: The Director, which is wholesaled by the company's PLANCO subsidiary and features investment options managed by Wellington Management Company, LLP and the Hartford Investment Management Company (HIMCO); and the Putnam Hartford Capital Manager, which is wholesaled by Putnam Investments and has underlying funds managed by Putnam.

Hartford Life also offers proprietary products through a variety of other distributors.

In addition to being the nation's individual variable annuity sales leader -- Hartford Life's $9.9 billion in 1998 sales was tops in the market for the fifth consecutive year, according to Variable Annuity Research and Data Services (VARDS) -- the company has won the prestigious DALBAR award for annuity customer service three consecutive years, as well as for premier service to annuity distributors, including broker/dealers and banks.

The American Funds Group is the nation's third-largest mutual fund family, with assets of more than $275 billion and more than 10 million shareholder accounts in its 29 funds. The American Funds are managed by Capital Research and Management Company, one of the oldest and most respected investment management firms in the country. Capital Research, which traces its roots to 1931, has earned a reputation as a premier global investment management firm.

The Franklin/Templeton Group is one of the largest mutual fund organizations in the United States, with more than $223 billion in assets under management as of June 30, 1999. It provides global and domestic investment management, shareholder and distribution services, as well as institutional accounts. Franklin Templeton has been serving investors for more than 50 years.

MFS Investment Management created America's first mutual fund, Massachusetts Investors Trust, which is celebrating its 75th anniversary this year. MFS now manages more than $100 billion in assets for more than four million individual and institutional mutual fund and annuity investors worldwide.

Hartford Life, the nation's third largest life insurance group based on year-end 1998 statutory assets, (according to Sheshunoff Information Services) offers through its subsidiaries a comprehensive portfolio of fixed and variable annuities, life insurance, mutual funds, employee benefits, group retirement plans, and institutional liability funding products. Hartford Life is majority owned by The Hartford Financial Services Group, Inc. (NYSE: HIG), one of the nation's oldest and largest international insurance and financial services operations with 1998 revenues of $15.0 billion.

Certain statements made in this release should be considered forward looking information as defined in the Private Securities Litigation Reform Act of 1995 and are not guarantees of future performance. Actual results may differ materially. Hartford Life cautions investors to consider the potential uncertainties and risks that may affect future performance and that are discussed in readily available documents, including the company's annual report on Form 10-K and other documents filed with the Securities and Exchange Commission.

SOURCE Hartford Life, Inc.
EXHIBIT 2

Timeline of FOIA request

It has been 17 months, spanning three calendar years, since a FOIA request was sent. We have yet to receive the documents.

Sept. 9, 2015
Original submission of Freedom of Information Act ("FOIA") request; lost by the SEC Staff.

April 13, 2016
AFIS inquires as to status of request; FOIA staff states that request is being processed.

Aug. 9, 2016
AFIS inquires as to status of request; FOIA staff states that they are awaiting feedback from the "SEC program office" and hope to respond by the middle or end of August 2016.

Aug. 15, 2016
AFIS responds to date scope request; FOIA office acknowledges receipt.

Sept. 9, 2016
AFIS requests that any responsive records be produced, even if the review is not complete.

Sept. 28, 2016
AFIS again requests that any responsive records be produced, even if the review is not complete.

Nov. 1, 2016
The third FOIA staff member contacts AFIS and states that the FOIA Office is still "awaiting feedback from the assigned SEC program office." Projected response date is now the third week in November.

Jan. 27, 2017
AFIS again requests that any responsive records be produced, even if the review is not complete. Projected response date is now the first week of February or earlier.

Feb. 17, 2016
AFIS inquires as to status of request and attaches September 2015 letter; FOIA Office acknowledged receiving the letter.

July 15, 2016
FOIA staff states that request has been reassigned to another staff member.

Aug. 12, 2016
A third FOIA staff member contacts AFIS to ask about date scope for the request.

Aug. 30, 2016
The second FOIA staff member contacts AFIS and states that the FOIA Office is still "waiting for feedback from the SEC program office, who is reviewing the records." Projected response date is the middle of September.

Sept. 23, 2016
The third FOIA staff member contacts AFIS and states that the FOIA Office is still "awaiting feedback from the assigned SEC program office and in negotiating with the submitter." Projected response date is October 2016.

Nov. 4, 2016
AFIS requests for the third time that any responsive records be produced, even if the review is not complete. AFIS notes that the existence of certain discussions between the Applicants and the SEC Staff are a matter of public record.

Dec. 21, 2016
AFIS summarizes the history of the FOIA request and asks for a status report.

The third FOIA staff member contacts AFIS and states that the FOIA Office is "still awaiting further feedback from the assigned SEC program office." Projected response date is now the third week in January.

AFIS informs the FOIA staff member that the applications have been noticed and the orders could be issued in early January 2017.
-----Original Message-----
From: jwahh1976 <jwahh1976@aol.com>
To: chairmanoffice <chairmanoffice@sec.gov>; whitemj <whitemj@sec.gov>; steink <steink@sec.gov>; piwowarm <piwowarm@sec.gov>
Cc: flemingri <flemingri@sec.gov>; ombudsman <ombudsman@sec.gov>
Sent: Sat, Dec 31, 2016 3:04 pm
Subject: Hartford will harm investors with expresss SEC approval

Re: Hartford Life Insurance Company, et al
IC-32386 (12/08/2016)

Hartford Life Insurance Company, et al.
IC-32385 (12/08/2016)

Dear Commissioners:

We are writing to express serious concerns regarding two SEC applications filed by Hartford Life Insurance Company (these applications have been noticed and have a return date of 1/3/2017). While we do not have standing to challenge the applications, because we are not contract owners, you do under rule 0-5 under the Investment Company Act. (The SEC can order a hearing on a matter on its own motion.) We do not believe these applications meet the standard provided under Section 26(c) under the Investment Company Act, that standard being:

*The Commission shall issue an order approving such substitution if the evidence establishes that it is consistent with the protection of investors and the purposes fairly intended by the policy and provisions of this title.*

We ask that in the interest of helping older Americans, you intervene for the protection of investors.

A variable annuity is an investment product where investors can choose between a menu of investment options that are typically mutual funds on a tax-deferred basis. A substitution refers to the instance where one of the investment options offered by a variable annuity will be removed and all of the investors in that investment option will be moved to a different investment option. In this case, Hartford has offered variable annuities that included a menu of funds from "industry leading money managers", and was described as such in Hartford’s marketing materials. The list of funds available through the variable annuity is disclosed on the cover page of the prospectus. The ability to substitute portfolio securities is disclosed must further back in the prospectus, and always with the caveat, subject to SEC approval.

Hartford was one of the largest insurance companies in the variable annuity business until the financial crisis. Since the financial crisis, Hartford has sold off its group annuity and variable life business. With respect to the rest of its variable annuity business, it has ceased offering new contracts, increased many contract charges to the maximum permissible under the annuity contracts, and has also been seeking to buyout variable annuity contracts and change the investment restrictions associated with variable products so as to make these contracts unpalatable to investors. (See http://www.annuityfyi.com/blog/2013/06/the-hartford-forces-variable-annuity-investment-changes/)

Hartford even called out its plans to
reduce it book of business in its financial statements by reference to the "Talcott Resolution", which is an effort to terminate Hartford's annuity business.

These proposed substitutions are another attempt to sour investors to Hartford products so that they redeem their products (and forego various contract benefits), increase revenue to the Hartford (by moving to affiliated funds that are managed by a Hartford entity) and decrease risk (by using index funds that are easier and less expensive to hedge than actively-managed funds). The reason for the divestiture is that Hartford offered generous benefits prior to the financial crisis that it now finds too expensive given market volatility and the prolonged low-interest rate environment.

While any individual substitution in these applications may be appropriate, the totality of the circumstances suggest that these substitutions (all 62) are for the Hartford's benefit and not the investor. For the following reasons, we think these substitutions are not in the interest of investors:

- Typically, a built-in investor protection is that insurers have reputational risk. They must do right by their customer or risk losing current and future customers. Hartford is in the unique position of trying to exit its business and runoff its current contracts. As such, unlike other insurers, Hartford's interests are not aligned with investors. Instead, Hartford wants to take actions to encourage investors to redeem out of their contracts.

- This substitution will reduce the number of funds from 62 unaffiliated funds to 11 affiliated funds. This is the largest set of substitutions to be approved by the staff.
  - The substitution greatly restricts investor choices. For instance, the number of mid and small cap funds is going from 11 such funds to 1 fund.
    - In addition, if you own a rider, you have even fewer options by operation of the investment restrictions associated with a rider.

- One investor protection applied to substitutions is a free transfer right. However, since Hartford is removing all meaningful choice by replacing many funds of a given type with a single fund, it as effectively eliminated this protection. If you wanted small-cap exposure, your only choice is the Hartford affiliated fund.

- Another investor protection offered in the application is that any required state regulatory approval will be obtained. This is not a good faith protection because most states do not require approval or grant it as a matter of course. Also states are concerned with insurer solvency to a greater extent than investor protection. So, states would not be opposed to derisking a contract and increasing monies paid to the the insurer because it furthers their goal of insurer solvency.

- An addition investor protection is that the Hartford will not increase contract fees. However, this is meaningless because in many cases, Hartford was already increased contracts charges to the highes amount permitted under the contracts.

- Hartford marketed its products as offering "world-class money managers". Hartford used well-known asset managers to attract assets, but is not replacing those managers with its own affiliates. This is tantamount to bait-and-switch, and must be stopped.
• Hartford's reasons for the substitution:

  o Hartford claims the substitution creates a simplified menu of investment options. While true, it is hard to see how restricted choices is a benefit to investors. In fact, Hartford sold these contracts in part on the breadth of its investment options.

  o Hartford argues that the substitutions provide for consistent objective, strategies and risks. First, it would be more consistent if Hartford left investors in their chosen investments. Second, it assumes all funds of a like type are fungible, which is simply not true.

  o If a broker moved its clients money without the client's permission, they would be fined, ordered to pay restitution, and barred from the industry. A fund would likely need approval and certain findings by a duly elected board that are fiduciaries and perhaps a shareholder vote to make such changes. (See rule 17a-8.) Hartford is not being held to any such consequences or investor protection mechanisms.

  o Hartford claims it is easier to administer its own funds, than that of a number of fund families. This may be true. However, it was Hartford's choice to offer funds from many unaffiliated funds. Administering those funds is a cost of doing business, and should not be a reason for a substitution.

  o Hartford argues that the new funds have reduced costs. That is true, but they also have no performance history as they are new funds.

    ▪ If Hartford wanted to offer lower cost funds, they could have added those investment options and let cost conscious investors move their money into those funds. However, here they are forcing investors to move their money.

    ▪ It is also worth noting that the Hartford funds are not particularly inexpensive for passively funds. They just look inexpensive as compared to actively managed funds.

  o Hartford openly admits that this substitution reduces its own costs. However, it does not claim to pass these cost-savings on to investors. Rather they are engaging in this practice solely for their benefit with no benefit to contract owners.

• Hartford is trying to sell its run-off annuity business. In order to fetch the best price for these contracts, Hartford is trying to reduce the benefits and increase the revenue associated with this business. One way is through this substitution. See https://www.bloomberg.com/news/articles/2016-09-21/hartford-said-to-enlist-jpmorgan-to-sell-annuity-runoff-business.

• In other contexts, an aggrieved investor can walk away from an investment. Here, the contract have build in features that are in-the-money, hefty surrender charges, a menu of benefits that is not available elsewhere given the current economic environment, and the possibility of a large tax bill. Further, Hartford wants investors
to redeem. This is the driving force behind this substitution; to extract more fees or terminate their liabilities under the contract.

- The largest protection investors have is that a substitution needs SEC approval. Unlike funds, insurers are not fiduciaries. They have no duty to their investors. This is why the Commission's role is so important. Investors count on it and you have a statutory duty to hold these transactions to a high standard.

We ask that you make every effort to make sure this substitution is not ordered. It adversely effects thousands of investors and is only a benefit to Hartford. Someone needs to advocate for the investor (which is where the Investment Management Division has failed.) That role falls on the SEC. The SEC should not be able to make the appropriate public interest finding to grant these applications.

We appreciate your time and advocacy for the small investor.

Thank you.

Sincerely,

John Wahh, CFA, CFP, CLU, and
Steven Crane, Esq. (PIABA member)
CERTIFICATE OF SERVICE

I, Thomas S. Harman, an attorney, hereby certify that on February 2, 2017, I caused a true and correct copy of the foregoing, Response to Letter Opposing the Requests for a Hearing filed by American Funds Insurance Series and Capital Research and Management Co., to be served via Federal Express on the following:

Lisa Proch
Vice President, Assistant General Counsel
Hartford Life Insurance Company
One Hartford Plaza, P.O. Box Mail Stop-NP4-TR1
Hartford, Connecticut 06155

Thomas S. Harman