Plan of Operations

General Description of TL and Its Insurance Company Subsidiaries, Business and Business Plan

Talcott Resolution Life Insurance Company, a Connecticut domestic life insurance company ("TL"), has three insurance company subsidiaries: Talcott Resolution Life and Annuity Insurance Company, a Connecticut domestic life insurance company ("TLA"), American Maturity Life Insurance Company, a Connecticut domestic life insurance company ("AML"), and Talcott Resolution International Life Reassurance Corporation, a Connecticut domestic life insurance company ("TILRE"). TL, TLA, AML and TILRE are collectively referred to herein as the "Domestic Insurers".

TL is a subsidiary of Talcott Resolution Life, Inc., a holding company incorporated in Delaware (the "Company"), with operating subsidiaries that formerly made up the run-off life and annuity business line of The Hartford Financial Services Group ("The Hartford"). The Company was purchased from The Hartford in 2018 and current ownership has focused management on effecting a successful separation from its former parent, releasing excess capital inherent in the business at the time of the acquisition, and efficiently managing the continued run-off of its legacy business.

The Domestic Insurers' business can be separated into four product lines:

- Individual Variable Annuities: Separate account products sold to individuals with both Guaranteed Minimum Death Benefit ("GMDB") and Guaranteed Minimum Withdrawal Benefit ("GMWB") riders.
- Fixed and Payout Annuities: The retail fixed annuity business is primarily recurring fixed term deferred annuities, some with market value adjustments. The payout annuity business is primarily the annuitized contracts of individual variable and fixed deferred annuities.
- Institutional Fixed Business: Includes structured settlement contracts, terminal funding (PRT) agreements and Guaranteed Investment Contracts.
- Bank Owned Life Insurance (BOLI)/Corporate Owned Life Insurance (COLI)/Insurance Owned Life Insurance (IOLI): Large life insurance contracts sold to banks, insurance companies and other companies to help fund their employee benefit programs in a tax efficient manner. Contracts are either general account or separate account products (sold on a Private Placement basis), with the vast majority of separate account products written on an experience rated basis.

Following completion of the proposed acquisition of the Company by the Applicants (as defined in the Form A Acquisition of Control Statement) (such acquisition, the "Proposed Transaction"), the Domestic Insurers' Plan of Operations will be guided by the core principle of continuing the Domestic Insurers' prudent management of their responsibilities to their policyholders. The Domestic Insurers' management will be kept in place, and the Company's current 400+ employees are expected to continue with the Company following the closing of the Proposed Transaction. The Applicants' plan for the Domestic Insurers will be organized around the following key themes:

1. <u>Capital Management and Growth Initiatives</u>: Refocus the Domestic Insurers on growth through reinsurance and/or acquisitions to profitably and prudently deploy excess capital.
2. <u>Risk Management, Liquidity and VA Hedging</u>: Maintain the Domestic Insurers' Enterprise Risk Management and VA hedging programs to protect the Domestic Insurers' capital and solvency in market stress scenarios.
3. <u>Maintaining and Augmenting Current Management</u>: Keep the existing management team in place. Management will be augmented to bring in core expertise in any material lines of business added as a result of acquisitions.

4. Investment Management and ALM: Continued relationship with Hartford Investment Management Company ("HIMCO") as manager of the portfolio. Continue to manage the general account investment portfolios consistent with current strategy and continued focus on prudent asset-liability management ("ALM") and principal preservation.
5. Employees and Operations: The Company's current 400+ employees are expected to continue with the Company upon the closing of the Proposed Transaction and there will be no change to policyholder administration. The Applicants plan to maintain the Domestic Insurers' Connecticut domiciliary status and have no plans to move operations out of Connecticut.
6. Governance: Active governance at both the Company and Board of Directors level; focused on growth initiatives, investment and risk management, operational risk management, compensation and audit.

In addition to the items set forth in this Plan of Operations, the Applicants plan to evaluate certain post-closing actions with respect to the Domestic Insurers, as set forth in Annex A hereto. The Applicants acknowledge and agree that the items set forth in Annex A would be subject to regulatory approval or non-disapproval by the Connecticut Insurance Department ("CID"), which will not be requested or obtained until after the closing of the Proposed Transaction, and may not be implemented unless and until such approvals are obtained, and the Applicants are not requesting review or approval of any of the items set forth in Annex A in connection with the CID's review of the Applicants' Form A Acquisition of Control Statement, Plan of Operations or Financial Projections.[1]

1. Capital Management and Growth Initiatives

Capital Management: The Domestic Insurers' capital will be managed to ensure fulfillment of their obligations and commitments to all stakeholders, including policyholders, regulators, rating agencies and creditors. The capital plan will maintain strong capitalization of the insurance operations and sufficient financial flexibility in both base case and market stress scenarios.

Consistent with the existing commitments to CID by Hopmeadow Holdings, L.P., the Domestic Insurers' capital will be managed such that it exceeds 200% CAL RBC (as defined below) in the market stress scenario (see Section 2 Risk Management, Liquidity and VA Hedging). Operationally, the Domestic Insurers will target a risk-based capital ratio of 350% as measured on a company action level basis ("CAL RBC", and the amount of capital required to fund 350% CAL RBC is "Target Capital"). As demonstrated in the attached Financial Projections, the Domestic Insurers expect to have $1,139 million of excess capital (that is, capital and surplus in excess of Target Capital) in the aggregate at the closing of the Proposed Transaction.

Company management will continue the prudent and sound practices that management has successfully implemented to oversee the run off of legacy business lines. As the business run off occurs, required RBC capital is expected to decrease and profits are expected to accrue, thereby generating additional excess capital.

Under the Applicants' ownership, the Domestic Insurers will actively pursue redeployment of excess capital through growth initiatives focused on reinsurance and the mergers and acquisition (M&A) market. The Domestic Insurers have a broad array of businesses currently on their books, and Company management has expertise in other lines that have since been ceded to other insurers. The Applicants

[1] For the avoidance of doubt, none of the actions described in Annex A are a condition to the closing of the Proposed Transaction and are therefore not included in the Financial Projections attached to the Form A.

expect to leverage this knowledge and expertise to help diligence, price and ultimately manage blocks of business and/or acquisitions of entities that are either engaged in writing new business or are in run-off.

Consistent with Section 38a-136(i)(2) of the Connecticut General Statutes, any dividends in the first two years after the closing will be subject to specific regulatory approval. Consistent with the growth initiative, the Financial Projections contemplate a dividend plan as depicted therein. The Company's Board of Directors will regularly assess growth potential and dividend capacity and the Domestic Insurers may request regulatory approval for additional dividends if appropriate.

Holding Company Financial Leverage: The Applicants currently expect that all extant debt of the Company, currently $143 million, will remain in place at the closing of the Proposed Transaction. Prospectively following the closing of the Proposed Transaction, the Applicants expect to run the Company prudently with financial leverage consistent with target ratings and industry practice.

Growth Initiatives: Over the past several years the US life insurance industry has been experiencing a protracted rearrangement as carriers have divested blocks and subsidiaries no longer deemed core or profitable. That trend appears to be accelerating as several large participants have recently announced their intent to discontinue and/or spin off large operations immediately or over the next few years. With the Applicants' guidance and support, the Company and its management team will be well-positioned to pursue these businesses as they become available. Adding profitable blocks should benefit the Company in several ways, from adding meaningful and diverse income streams, improving financial strength of the Company, stabilizing and potentially growing the employee base and maintaining or improving the Domestic Insurers' ratings.

Unlike many other consolidators, the Company will not be restricted to pursuing limited segments of available liability blocks in the marketplace. The Applicants believe that the demonstrated expertise of the Company's management in successfully overseeing and hedging disparate businesses such as fixed and variable annuities, large case BOLI, and longevity products such as PRT and structured settlements positions the Company to be an effective consolidator across a large range of potential liabilities.

Third-Party Reinsurance: No changes to existing third-party reinsurance agreements are contemplated as a result of the Proposed Transaction (including continued priority of protecting the Domestic Insurers' AM Best ratings that otherwise could lead to a termination of the CIGNA variable annuity treaties). The Company has been approached by certain reinsurers about potentially recapturing some or all of the Domestic Insurers' liabilities, and if it makes sense, at some point in the future the Company may choose to review those transactions to assess whether a recapture is appropriate.

Divisions: The Company will continue to seek ways to utilize the Connecticut Division statute in pursuit of its strategic objectives, including the growth initiative. If at a future date a Division would be appropriate and viable, the Company will engage with the CID at that time.

2. Risk Management, Liquidity and VA Hedging

In order to protect and safeguard the Domestic Insurers' capital and solvency following the Proposed Transaction, the Company will maintain its approach to the Enterprise Risk Management function and its VA hedging programs. The Domestic Insurers have utilized two primary strategies to manage risk on the variable annuity GMDB and GMWB guarantees: reinsurance and hedging. Key VA reinsurance counterparties include CIGNA, AXA, ACE, Transamerica, and Swiss Re; there are no planned changes to inforce reinsurance. Key hedging counterparties include JP Morgan, Barclays Bank, HSBC, Credit Suisse and Goldman Sachs; the Company will continue to monitor and assess the credit worthiness of the Domestic Insurers' counterparties and seek additional or replacement counterparties as appropriate.

The Domestic Insurers' hedging strategy statement outlines the policy for maintaining aggregate VA exposure within the policy's stated guidelines. This is done via macro trades which are executed on a semi-static basis, primarily focused on protecting economic value but also subject to additional considerations including protection of statutory capital, liquidity, and operational constraints. Risk exposures and economic value for the VA portfolio are monitored and managed daily, along with all other enterprise exposures.

The Domestic Insurers' management and Board of Directors will routinely assess the Domestic Insurers' hedge program based on market and other conditions.

As part of the Domestic Insurers' Macro Hedge program, the Domestic Insurers will prioritize growing their statutory income while protecting their core capital. At closing, the anticipated excess capital above core capital (defined as 200% CAL RBC in the market stress scenario) is $1,822 million. Given the Domestic Insurers' growth strategy and targeted dividends, the hedge program is designed to protect such statutory capital before (and after) distributions are made. The objective of the hedge program will be to mitigate claims costs and offset changes in reserve and capital requirements in order to minimize the impact on excess capital levels due to market changes.

Changes to the hedge program will be subject to internal approval procedures, which will include Board of Directors review and approval of any material changes.

The Domestic Insurers will continue to manage the business using the Domestic Insurers' current stress scenarios, which include market and credit stress scenarios that test the Domestic Insurers' capital and liquidity.

Capital Stress: Upon completion of the Proposed Transaction, the Domestic Insurers will manage risk to maintain at minimum a 200% CAL RBC in a severe market stress scenario, which is currently defined as the S&P 500 down 40% with 4% annual index growth plus 2% annual dividend return thereafter, and the 10yr UST down 50bp and following the forward curve thereafter, and a 1:100yr Credit cycle stress.

Liquidity Stresses: Upon completion of the Proposed Transaction, the general account portfolio will be managed to ensure sufficient liquidity to meet obligations a 30 day liquidity stress scenario. The Domestic Insurers run two types of liquidity stresses; one is focused on derivative collateral, and the other is focused on overall asset/liability cash flow needs.

The current derivative stress scenario is measured over a 30 day period and is defined as a 1st percentile event where the S&P 500 is up 10%, 10yr UST is up 65bp, CDX HY is down 40bp, and 10yr implied vol is down 3 points. The Domestic Insurers will maintain cash and short-term investments on hand to cover any incremental hedge collateral that needs to be posted in this stress scenario.

The asset/liability stress represents a severe cash flow stress caused by a downgrade, adverse business disruption and/or unanticipated cash flows. Current Risk limits include a Baseline Limit (maximum cumulative net cash flow shortfall within one year / Tier 1 assets < 20%), Stress Limit 1 (Tier 3 Asset Sales / Total Asset Sales < 35%) and Stress Limit 2 (Estimated Loss on Asset Sales / Statutory Surplus < 15%). Additional detail on framework, stress assumptions and testing is referenced in the Domestic Insurers' Liquidity Risk Analysis documentation.

Changes to Liquidity Management will be subject to internal approval procedures.

Counterparty Risk: Upon completion of the Proposed Transaction, the Domestic Insurers will continually monitor their policies and procedures to measure and manage counterparty risk (building off of the Domestic Insurers' existing Derivative Use Plan filed with the CID). These procedures will ensure that the Domestic Insurers monitor the concentration of hedges with individual counterparties, such counterparties' ability to pay, collateral levels and liquidity requirements. The Domestic Insurers will also continue to strictly adhere to ISDA/CSAs and actively engage counterparties in the event amendments are needed.

3. Maintaining and Augmenting Current Management

The Company has a highly experienced senior management team already in place, with 20+ years of average tenure, who will continue to run the business. Following completion of the Proposed Transaction, the management team will continue to be responsible for the day-to-day operations of the business, including account administration and servicing, and execution of the Company's ongoing risk management strategy, including hedging, investment management and asset-liability management.

Additionally, management will be asked to help diligence, value and potentially oversee the operation of books of business which the Company may acquire. Pursuing this growth strategy may require the Company to invest in additional staff and senior management with the expertise to evaluate and operate lines of business not currently on the Domestic Insurers' balance sheets.

Key members of the management team will be retained through employment agreements and long-term incentives that are aligned with continued excellence in service to policyholders, profitable growth and long-term value creation for the Company and its shareholders.

4. Investment Management and ALM

Following completion of the Proposed Transaction, the Domestic Insurers will continue to leverage HIMCO as the investment manager of the portfolio, including treasuries, agencies, investment grade corporate bonds and other asset classes. The Company expects HIMCO will manage the majority of the Domestic Insurers' existing general account assets over time. The Domestic Insurers and their Boards of Directors will evaluate HIMCO's performance periodically.

The Domestic Insurers will continue to manage their general account investment portfolios consistent with their current strategy and focus on prudent ALM and principal preservation. The Domestic Insurers maintain an investment management policy (with allocation targets and risk limits) that governs the portfolio as a whole, as well as investment strategy statements for each discrete portfolio within the general account, based on the characteristics of the liability underlying each portfolio.

Portfolio	Strategy Document
Overall General Account and Guaranteed Separate Account	Investment Policy Statement
Derivatives	Derivatives Use Plan
CRC Fixed Annuities/Guaranteed Separate Accounts	CRC Group, FM2 and FM7 Investment Strategy Statement
VA Fixed Account	Fixed Accounts Investment Strategy Statement
TL Payout Annuity	IIP Investment Strategy Statement
COLI/BOLI Fixed Account	TL-COLI Investment Strategy Statement
TL Surplus	TL Surplus Investment Strategy Statement
TLA Payout Annuities	TLA-PPA + Other Investment Strategy Statement

TLA Surplus	TLA Surplus Investment Strategy Statement
Other	Smaller legal entities and other portfolios

While there are no plans to make material changes to the Domestic Insurers' investment portfolio, the portfolio allocations may be adjusted to improve the ALM profile, cash flow testing results, and risk-adjusted returns of the portfolio. The allocations may also be adjusted to reduce or optimize required C-1 risk-based capital charges. To provide investors and the Board additional insight into the Domestic Insures' critical ALM processes and positions, at closing the Company will enter into a consulting and advisory agreement with Cadence ALM Limited (collectively with its affiliates, "Cadence"), a UK-based affiliate of Sixth Street, and advisor to the insurance and institutional investor market on asset and liability management strategies.

After closing, the Domestic Insurers will have anticipated allocations to below investment grade assets and equity/alternatives/LPs in line with current allocations. The Domestic Insurers will continually monitor the asset composition, including adherence to established policies and strategy statements, and will make changes, or allow waivers, to the above allocations as prudent or advisable.

5. Employees and Operations

Following completion of the Proposed Transaction, the Domestic Insurers expect to maintain their Connecticut domiciliary status and operations, and the Applicants expect that the Company will retain the current 400+ employees following transaction close. Employment levels in Connecticut will be maintained consistent with the commitment provided to the CID by Hopmeadow Holdings, L.P. as part of the Capital Maintenance Plan dated May 2, 2018 to maintain approximately 315 employees for the Company and its subsidiaries in Connecticut for a four-year period following the closing of the acquisition of control of the Domestic Insurers by their current owners.

The Company will remain in the current Windsor, CT office through a lease from The Hartford and may also retain the lease for the Woodbury, MN office. Consistent with the commitment provided to the CID by Hopmeadow Holdings, L.P. as part of the Capital Maintenance Plan dated May 2, 2018, the Domestic Insurers' headquarters will remain in Connecticut.

Much of the Domestic Insurers' current operating model will remain in place. For example, all front-end policyholder servicing and administration will continue to be performed by the in-house Company team that has been servicing the business since inception. The Company will also continue to leverage third-parties (such as Cognizant and RR Donnelley) for back-end contract administration processing, print and mail activities and IT production support and development, although certain functions have been transferred back in-house from Cognizant over the past two years.

Given the planned continuity of the Company's operating model, staff levels are expected to remain at or around current levels following the close of the transaction.

6. Governance

Governance at the Domestic Insurer Level: After closing, the Domestic Insurer boards will be comprised of (i) management representatives and (ii) independent directors in the case of TL. TL representatives are listed in Exhibit D-2 to the Form A. The Domestic Insurers will maintain similar board committees as are currently in place, with the exception of the compensation committee, which we expect to make a committee of the Sutton Investments, LLC Board. The Domestic Insurers will further maintain similar management committees as are currently in place. The principal board committee will continue to be the Finance, Investment, and Risk Management Committee

(“FIRMCO”).

FIRMCO and its subcommittees will continue its existing oversight and responsibility for the various Enterprise Risk Management functions of the Company, including supervising performance of VA hedging, asset liability management and investment risk management. FIRMCO will also perform such other related tasks as it may consider necessary or may be assigned to by the Board of Directors / FIRMCO from time to time.

FIRMCO will evaluate key financial matters impacting the financial operations of the Domestic Insurers. Primary duties include i) establishment of financial policies, procedures and operating guidelines, ii) approval of accounting policies, and iii) review and tracking the annual budget.

Annex A

Potential Post-Closing Actions

This Annex A sets forth certain post-closing actions that the Applicants plan to evaluate following the closing of the Proposed Transaction. The closing of the Proposed Transaction is not conditioned on CID's approval of such actions. Form D filings with respect to each of these potential post-closing actions would be submitted to CID. . The Applicants understand and acknowledge that approval of the Proposed Transaction will not indicate approval of any post-closing actions and that these actions will be subject to separate review and fulsome consideration for CID approval or non-disapproval upon filing of the Form D filings. The Applicants look forward to engaging with CID on consideration of these actions after the Proposed Transaction is approved and these potential post-closing actions have been fully evaluated.

1. *Reinsurance to Bermuda Life Insurer:* In connection with the Company's growth strategy, a Bermuda entity ("Talcott Re") may be formed, which may assume an appropriate amount of risk of both the Company's legacy business as well as future acquisitions. Any business ceded by the Domestic Insurers to Talcott Re would continue to be managed by existing U.S.-based employees of the Company. The Applicants believe that having Talcott Re as a partner would enhance the Company's competitive position in auction processes and greatly improve its ability to deploy excess capital. Subject to the receipt of CID approval, a portion of the business of TL and TLA may be ceded to Talcott Re, such that all current diversification benefits would be maintained at both companies. Importantly, all current Company risk management functions would be maintained to oversee performance of both the ceded and remaining business. The Domestic Insurers may also enter into a tax sharing agreement with Talcott Re, which will file an election to be taxed under Section 953(d) of the Internal Revenue Code.

2. *Investment Management and ALM:*

a. The Applicants expect to continue the relationship with HIMCO as manager of the majority of the portfolio.

b. Subject to the receipt of CID approval or non-disapproval, the Domestic Insurers may (i) engage one or more affiliates of Sixth Street to manage certain asset classes (e.g., CLOs) on a market basis and (ii) enter into a consulting and advisory agreement with Cadence, a UK-based affiliate of Sixth Street, at arm's-length pricing to assist in portfolio allocation adjustments to improve the ALM profile, cash flow testing results, and risk-adjusted returns of the portfolio and to provide investors and the Board additional insight into the Domestic Insurers' critical ALM processes and positions. Any changes to the investment management policy and portfolio strategy statements would require FIRMCO approval.

3. *Internal Cost Sharing Arrangement:* Subject to the receipt of CID approval or non-disapproval, the Domestic Insurers may revise the existing administrative agreement among TL and certain of its affiliates from being strictly at cost to one that is a "cost plus" model (*i.e.*, cost + up to 15%) as dictated by IRS rulings.