

ANDREW N. MAIS, COMMISSIONER OF THE
CONNECTICUT INSURANCE DEPARTMENT,

Plaintiff,

v.

PHL VARIABLE INSURANCE COMPANY, ET
AL.,

Defendants.

SUPERIOR COURT

JUDICIAL DISTRICT
OF HARTFORD

June 25, 2024

MORATORIUM ORDER

On the Motion for a Moratorium on Certain Benefit Payments and Transactions (the “Motion”)¹ of the Honorable Andrew N. Mais, Insurance Commissioner of the State of Connecticut, in his capacity as Rehabilitator of PHL Variable Insurance Company (“PHL”), Concord Re, Inc. (“Concord”), and Palisado Re, Inc. (“Palisado,” together with PHL and Concord, the “Companies”), seeking the entry of an order (1) imposing a moratorium on certain benefit payments and transactions under PHL’s policies, as set forth in the Motion, until a rehabilitation plan shall have been confirmed in this case, (2) imposing the moratorium on a temporary basis until a hearing can be held on the Motion after notice to policyholders and other affected parties, and (3) authorizing the Rehabilitator to make limited payments to policyholders during the period between the date of the rehabilitation order and the confirmation of a rehabilitation plan (the “Interim Period”); and on the Affidavits of Michael Shanahan and Donna Claire; and the Rehabilitator’s brief in support of the Motion; and on the Certificates of Service of Marc Orfitelli of Epiq Corporate Restructuring, LLC and Rachel Chesley of FTI Consulting; and the Court having held a hearing on June 25, 2024 on notice as set forth in the Certificates of Service; and no objections having been filed to the Motion; and on the representations of counsel at such hearing;

¹ Terms used but not defined herein shall have the meanings ascribed to them in the Motion.

and good and sufficient cause appearing therefor,

THE COURT ORDERS AS FOLLOWS:

1. The Motion is **GRANTED** and the Moratorium hereinafter provided shall take effect as of the date of the entry of the filing of the Petition for Rehabilitation in this case (the "Petition Date") and shall continue in effect until further order of the Court.

2. From and after the Petition Date, the Rehabilitator shall not pay benefits or investment obligations under policies issued by PHL (including policies issued by PHL's Separate Account) except to the extent provided herein (the "Moratorium"): ²

Life Insurance Policies

- a. *General Account – Death and Maturity Benefits.* Life insurance policies issued by the General Account may receive death benefits or maturity benefits equal to the lesser of (x) the amount of such benefits provided under the policy or (y) \$300,000.
- b. *Unitized Subaccounts – Death Benefits.* Life insurance policies issued by the Unitized Subaccounts that are not guaranteed by the General Account may receive variable death benefits paid out of the Unitized Subaccounts in accordance with the terms of the policy. Life insurance policies issued by the Unitized Subaccounts that are guaranteed by the General Account may receive variable death benefits paid out of the Unitized Subaccounts and additional death benefits out of the General Account in accordance with the terms of the policy; provided that amounts payable from the General Account shall not exceed the lesser of (x) the remaining death benefits payable from the General Account or (y) \$300,000. In no event shall a policyholder and/or beneficiary be entitled to more than the amount of death benefits provided under the policy.
- c. *Non-unitized Subaccount – Death Benefits.* Life insurance policies issued by the Non-unitized Subaccount, whether or not guaranteed by the General Account, may receive out of the Non-unitized Subaccount the lesser of (x) the death benefits provided under the policy or (y) \$300,000.
- d. *Unitized Subaccounts – Surrenders, Withdrawals and Loans.* Policyholders with life insurance policies issued by the Unitized Subaccounts will be allowed to exercise surrender, withdrawal and loan options to the extent of the market value of their investment units in the Unitized Subaccounts. If those policyholders also made investments in the Non-unitized Subaccount or the General Account, they

² Life insurance policies and annuities are herein referred to as "policies" except where the context otherwise requires.

will not be allowed to receive surrender payments, withdrawals or policy loans on such investments.

- e. *General Account and Non-unitized Subaccount – Surrenders, Withdrawals and Loans.* Policyholders with life insurance policies issued by the General Account or Non-unitized Subaccount will not be allowed to receive surrender payments, withdrawals or policy loans.
- f. *Aggregate Limit – Life Insurance Policies Covering One Individual.* Neither the General Account nor the Non-unitized Subaccount will individually or together pay more than \$300,000 in the aggregate under one or more life insurance policies covering one individual regardless of who owns the policies or the number of beneficiaries.

Annuities

- g. *Unitized Subaccounts – Recurring Periodic Payments.* Annuities issued by the Unitized Subaccounts that are not guaranteed by the General Account may receive variable annuity payments in accordance with the terms of the annuity. Annuities issued by the Unitized Subaccounts that are guaranteed by the General Account may receive annuity payments paid out of the Unitized Subaccounts in accordance with the terms of the annuity, and, if they are in payout mode as of the Petition Date, may continue to receive fixed periodic payments, systematic withdrawals and guaranteed lifetime withdrawal benefits that were in place as of the Petition Date (collectively, “Recurring Periodic Payments”) from the General Account; provided that Recurring Periodic Payments payable from the General Account shall not exceed \$250,000 in the aggregate for all annuities covering an individual. Annuities issued by the Unitized Subaccounts that are guaranteed by the General Account but are not in payout mode as of the Petition Date may not exercise the option to commence Recurring Periodic Payments from the General Account; provided, however, that the minimum distributions required under applicable tax laws to be withdrawn from tax deferred retirement accounts (“Required Minimum Distributions”) will be permitted in accordance with the terms of the annuity. Policyholders may not make changes to the amount or frequency of their Recurring Periodic Payments from the General Account during the Interim Period. “Payout mode” means that the annuitant is receiving Recurring Periodic Payments as of the Petition Date according to the books and records of PHL.
- h. *Unitized Subaccounts – Death Benefits.* Annuities issued by the Unitized Subaccounts that have death benefits that are not guaranteed by the General Account will receive variable death benefits paid out of the Unitized Subaccounts in accordance with the terms of the annuity. Annuities issued by the Unitized Subaccounts that have a benefit payable on the death of the annuitant that is guaranteed by the General Account will receive such benefits in accordance with the terms of the annuity; provided that amounts payable from the General Account shall not exceed the lesser of (x) the remaining death benefits payable under the annuity from the General Account or (y) \$250,000 less the amount of previous

payments out of the General Account on such annuity after the Petition Date. In no event shall an annuity holder and/or beneficiary be entitled to more than the amount of death benefits provided under the annuity.

- i. *Unitized Subaccounts – Surrenders, Withdrawals and Loans.* Holders of annuities issued by the Unitized Subaccounts will be allowed to exercise surrender, withdrawal and loan options to the extent of the market value of their investment units in the Unitized Subaccounts. If those policyholders also made investments in the Non-unitized Subaccount or the General Account, they will not be allowed to receive surrender payments, withdrawals or policy loans on such investments.
- j. *Non-unitized Subaccount – Recurring Periodic Payments.* Annuities issued by the Non-unitized Subaccount, whether or not they are guaranteed by the General Account, that are in payout mode as of the Petition Date will continue to receive Recurring Periodic Payments up to an aggregate amount of \$250,000 for all annuities covering an individual. These annuity holders may not make changes to the amount or frequency of their Recurring Periodic Payments during the Interim Period. Annuities issued by the Non-unitized Subaccount that are not in payout mode as of the Petition Date cannot exercise the option to commence Recurring Periodic Payments; provided, however, that Required Minimum Distributions will be permitted in accordance with the terms of the annuity.
- k. *Non-unitized Subaccount – Death Benefits.* Annuities issued by the Non-unitized Subaccount, whether or not they are guaranteed by the General Account, that have a benefit payable on the death of the annuitant will have that benefit paid out of the Non-unitized Subaccount in accordance with the terms of the annuity up to an aggregate amount of \$250,000 less the amount of previous payments from the Non-unitized Subaccount on such annuity after the Petition Date.
- l. *General Account – Recurring Periodic Payments.* Annuities issued by the General Account that are in payout mode as of the Petition Date will continue to receive Recurring Periodic Payments out of the General Account up to an aggregate amount of \$250,000 for all annuities covering an individual. Annuities that are not in payout mode as of the Petition Date cannot exercise the option to commence Recurring Periodic Payments; provided, however, that Required Minimum Distributions will be permitted in accordance with the terms of the annuity. These policyholders may not make changes to the amount or frequency of their Recurring Periodic Payments during the Interim Period.
- m. *General Account – Death Benefits.* Annuities issued by the General Account that have a benefit payable on the death of the annuitant will have that benefit paid in accordance with the terms of the annuity up to an aggregate amount of \$250,000 less the amount of previous payments from the General Account on such annuity after the Petition Date.
- n. *General Account and Non-unitized Subaccount – Lump Sum Payments.* Annuities

issued by either the General Account or Non-unitized Subaccount that are currently receiving fixed annuity payments and become entitled to a lump sum payment under the terms of the annuity due to a triggering event (such as the death of the annuitant), will receive the lump sum payment in accordance with the terms of the annuity up to an aggregate amount of \$250,000 less the amount of previous payments on such annuity after the Petition Date.

- o. *General Account and Non-Unitized Subaccount – Surrenders, Withdrawals and Loans.* Holders of annuities issued by the General Account and Non-unitized Subaccount will not be allowed to exercise surrender, withdrawal and loan options.
- p. *Maturity.* Annuities issued by the Unitized Subaccounts that reach maturity will be permitted to elect surrender or annuitization options from the Unitized Subaccounts only. Annuities issued by the General Account and Non-unitized Subaccount that reach maturity will not be permitted to elect surrender or annuitization options but will continue to accumulate value pursuant to the crediting rate and terms of the annuities as if they had not reached maturity. Holders of annuities issued by the General Account and Non-unitized Subaccount will not be permitted to change the maturity date of their annuities after the Petition Date.
- q. *Aggregate Limit – Annuities Covering One Annuitant.* Neither the General Account nor the Non-unitized Subaccount will individually or together pay more than \$250,000 in the aggregate under one or more annuities covering one annuitant regardless of who owns the annuities or the number of beneficiaries.

Life Insurance Policies and Annuities

- r. *Aggregate Limit – Life Insurance Policy and Annuity Covering One Individual.* Neither the General Account nor the Non-unitized Subaccount will individually or together pay more than \$300,000 in the aggregate for benefits under one or more life insurance policies and one or more annuities covering any one individual regardless of the number and size of policies of life insurance and annuities covering that individual and regardless of who owns the policy or annuity or the number of beneficiaries.
- s. *Reallocation of Investments.* Policyholders will not be permitted to reallocate investments from the General Account to the Separate Account or vice versa during the Interim Period. Policyholders of the Non-unitized Subaccount will not be permitted to reallocate investments within the Non-unitized Subaccount or to either the General Account or the Unitized Subaccounts. Policyholders will be permitted to reallocate investments within the Unitized Subaccounts.
- t. *Allocation of Benefits Under Multiple Policies.* If multiple policies covering one individual have an aggregate amount of life insurance death benefits in excess of \$300,000, annuity payments in excess of \$250,000, or a combination of life insurance death benefits and annuity payments in excess of \$300,000, as applicable,

funded by either or both the General Account and Non-unitized Subaccount, the Rehabilitator will determine the allocation of amounts to be paid under each policy.

- u. *Moratorium Limitations and Plan of Rehabilitation.* Any payments not made during the Interim Period as a result of the Moratorium will be addressed under the plan of rehabilitation.

3. The Rehabilitator is authorized to make payments ("Hardship Payments") that exceed those set forth in paragraph 2 of this Order in the event that a policyholder demonstrates hardship. Decisions on requests for Hardship Payments shall be made on a case-by-case basis in the Rehabilitator's sole and absolute discretion upon consideration of information provided by a policyholder on the form attached as Exhibit A and such other information as the Rehabilitator may request. The decision of the Rehabilitator, or his designee, on any Hardship Payment request shall be final and unappealable.

4. The Rehabilitator may in his discretion hold back and retain any distributions authorized hereunder until such time as necessary to develop and implement configurations of the policy administration and other systems and software used by the Companies to administer the policies consistent with the Moratorium.

5. All policyholders shall make the minimum periodic premium payments as provided by the terms of their policy. On flexible premium policies under which premium payments are made at the option of the policyholder, the policyholder shall not be obligated to make any premium payments above the required minimums to keep the contract in force. On policies under which premium can be paid out of accumulated account value, the policyholders shall be permitted to pay premiums out of such account value in accordance with the terms of the policies.

6. The Rehabilitator shall post a copy of this Order on the website established by the Connecticut Insurance Department in connection with these proceedings.

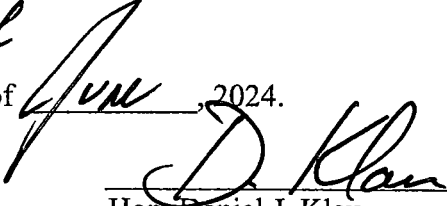
- 7. In the event that any disputes arise in connection with the Moratorium that are not

specifically addressed in this Order, the parties shall endeavor in good faith to resolve any such disputes; provided that the Rehabilitator may seek instruction from this Court if such efforts prove unsuccessful.

8. The Rehabilitator is authorized to execute any documents and take any actions he deems necessary to implement this Order.

9. This Court shall retain jurisdiction over this matter for all purposes necessary to effectuate and enforce this Order.

APPROVED AND SO ORDERED this 25th day of June, 2024.



Hon. Daniel J. Klau
Superior Court Judge

EXHIBIT A

APPLICATION FOR HARDSHIP EXCEPTION TO MORATORIUM

PHL Variable Insurance Company

Hardship Request for Exemption from Moratorium

Dated May 20, 2024

We understand that certain policyowners and beneficiaries may face financial hardships as a result of the Court ordered moratorium placed upon cash surrenders, annuitizations, policy loans and death benefits under PHL Variable Insurance Company (“PHL”) policies or contracts. The Court has granted the Rehabilitator authority to consider hardship exemption requests. To request a hardship exemption, you must complete and return the attached “**Hardship Request Form.**” For the purpose of hardship requests, this form will supplement the customary forms that PHL may have previously used for cash disbursement requests.

To qualify for hardship exemptions, you must include the following:

- **Notarized or Certified Statement of Facts** that an annuitant, owner, beneficiary or someone with a power of attorney acting for the owner, beneficiary or annuitant has completed, made under the penalties of perjury. Briefly describe the basis of the hardships, which must be based upon a *proven financial need*. This Statement of Facts should list your income, liquid assets, and outline the circumstances that support your claim of hardship and should accompany the information sent to our office. **The hardship request will not be processed unless the Statement of Facts is notarized (see exception below).** Please be as specific as possible, as the more information you give to the Rehabilitator, the easier it will be to process your request.
- **Proof or Evidence Supporting the Statement of Facts.** This would include, as applicable, bills, notices, doctor’s statements, or power of attorney, guardianship or conservator paperwork. List sources of income for the policyowner/beneficiary and spouse, as applicable, including social security payments, salary and wages, investment earnings (interest, dividends, etc.), retirement/pension, etc. Please provide copies of recent paycheck stubs, Social Security Income receipts, etc. Provide the most recent asset balance page from third party statements for policyowner/beneficiary and spouse, including but not limited to checking, savings, investment accounts, and CDs.
- **Hardship Request Form.** Hardship criteria include but are not limited to:
 - a. **To prevent eviction or foreclosure on your principal residence** – A hardship exemption may be used to prevent eviction or foreclosure on your principal residence. Acceptable documentation includes:
 - Notice from the landlord or mortgage holder threatening eviction or foreclosure,
 - Amount needed to prevent such action, and
 - Total amount owed.

- b. **Uninsured or unreimbursed medical expenses** – A hardship exemption may be used for out-of-pocket expenses for medical care. Acceptable documentation includes:
- Bills from doctors, hospitals, laboratories, and ambulance services,
 - Bills for prescriptions, eyeglasses, and medical supplies,
 - Documentation of amounts paid for medical insurance as well as any amounts reimbursed for medical expenses,
 - For ongoing medical treatment, a licensed physician's statement estimating planned treatment and associated costs, and
 - Bills for home improvements strictly for medical reasons.
- c. **Post-secondary education expenses** – A hardship exemption may be used to pay for up to 12 months of post-secondary expenses, tuition for a policyowner/beneficiary and/or your dependent's, educational fees, room and board, and supplies. Acceptable documentation includes:
- For tuition and educational fees, the bill on school letterhead or the school's online statement,
 - For books, proof of registration and a bill for book purchase, and
 - For off-campus housing: proof of registration and the lease with landlord information, monthly payment amounts, and length of lease.
- d. **Inability to pay for basic life support needs** – A hardship exemption may be used to pay for food, essential utilities (i.e., gas, electricity, water, etc.), and shelter (i.e., mortgage, nursing home, etc.). Acceptable documentation includes:
- List of significant expenses for the policyowner/beneficiary and spouse to sufficiently prove a financial hardship (i.e., expenses exceed assets and/or income stream of policyowner/beneficiary and spouse, as applicable) and third-party statements/receipts,
 - Bill or invoice from utility company(ies), and
 - Notice from the landlord or mortgage holder threatening eviction or foreclosure.
- e. **Change in employment status** – A hardship exemption may be used to pay for living expenses in the event of a change in employment status, including retirement, if the policyowner/beneficiary intended to rely on policy benefits for a material portion of such expenses. Acceptable documentation includes:
- Evidence of change in employment status, including a letter from employer, separation agreement or severance terms,
 - Attestation that the policyowner is not currently employed, and
 - List sources of income for the policyholder and spouse, as described above, including, for example, social security payments, investment earnings (interest, dividends, etc.), retirement/pension, etc.

Assessment of the financial need by the Rehabilitator is based upon the proven existence of the hardship (examples above) and adequate support of the financial need either currently or within the next 12 months. The Rehabilitator will review each request on its own merits.

Directions for Submitting Hardship Request

A properly completed and signed Hardship Request Form, together with the required supporting documentation, must be submitted to the Rehabilitator by one of the following methods:

- (i) uploading it electronically to the Rehabilitator's portal, which can be found at <https://epiqworkflow.com/cases/PHL>;
- (ii) If by First-Class Mail:
PHL Variable Insurance Company Rehabilitation
Hardship Form Processing Center
c/o Epiq Corporate Restructuring, LLC
P.O. Box 4420
Beaverton, OR 97076-4420
- (iii) If by Hand Delivery or Overnight Mail:
PHL Variable Insurance Company Rehabilitation
Hardship Form Processing Center
c/o Epiq Corporate Restructuring, LLC
10300 SW Allen Boulevard
Beaverton, Oregon 97005

In order to expedite the process, the Rehabilitator recommends submitting Hardship Requests through the Rehabilitator's electronic portal.

If you choose to submit a Hardship Request by courier service, you should retain evidence that the package was delivered to the Rehabilitator. If you choose to submit a Hardship Request by mail, it is recommended that you submit your package by certified or registered mail and retain evidence of the postmarked date.

Hardship Request Forms should not be filed with the Court, or sent to the Rehabilitator, his legal counsel, retained professionals, or otherwise delivered to PHL, and any Hardship Request so filed or sent will not be considered properly submitted.

Do not send Hardship Request Forms or supporting documentation by email. Email submissions will not be accepted. PHL and the Rehabilitator shall not be responsible for any unintended disclosure or breach of such transmission.

Please note that, with the exception of the Statement of Facts, copies of all required documents are acceptable and that original documents **will not** be returned.

PHL and the Rehabilitator are not responsible for undelivered mail.

Upon receipt of your completed hardship documents, the Rehabilitator will review them and reserves the right to request additional information and documentation, as he deems appropriate. You must cooperate with the Rehabilitator by providing all such requested documentation and information or your request will be denied.

Please call the PHL in Rehabilitation Call Center at 1-877-800-2445 to discuss any questions.

Thank you in advance for your attention to these matters.

Andrew N. Mais
Insurance Commissioner of the State of Connecticut
Rehabilitator of PHL

Hardship Application Checklist

Please make sure ALL requested documents are included in your submission. The Rehabilitator CANNOT review an application until all documentation and forms have been received.

Please do not staple any documents.

- Hardship Request Form** – Must be completed in its entirety, dated and signed by the owner/beneficiary, joint owner/beneficiary if applicable, and a witness.
- Certified Statement of Facts** – A brief statement explaining your hardship. All pages of the statement MUST be notarized (see exception on Statement of Facts page).
- Evidence of Liquid Assets** – Copies of your most recent bank statements from ALL of your checking, savings and investment accounts.
- Evidence of Income** – May include paystubs, award letters from Social Security, investment earnings statement, your prior year's professional tax return, or clearly indicate income on your bank statement.
- Proof of Your Monthly Expenses and/or Unpaid Bills** – These documents must support the amount you are requesting, and you must provide the actual statements. Monthly expenses would include rent/mortgage, water, electricity, gas, etc. Unpaid bills would include past due accounts such as medical bills, loans, or tuition.

Hardship Request Form

Applicant: _____

Owner

Beneficiary

Owner (if different from Applicant): _____

Policy/Contract Number: _____

Mailing Address: _____

I, _____, request a (check one) cash surrender, annuitization,
 policy loan, death benefits, or income rider activation of \$ _____.

Employment Information:

Employed

Unemployed

Retired

Source(s) of Income:

Employment

Investments

Pension/Social Security

Other: _____

Average Monthly Income: _____

Average Monthly Expenses: _____

Balances of Liquid Assets:

Checking: _____

Savings: _____

Other: _____

Total Liquid Assets: _____

I understand that this requested withdrawal amount may be reduced by any surrender charges, taxes withheld, or Market Value Adjustment, and as a result the net amount received may be smaller than the requested withdrawal amount. If approved, you will be required to complete additional paperwork to support the execution of the transaction, including tax withholding elections.

I am not under guardianship, nor have I made any assignment, pledge, or executed any document affecting ownership or right to any monies due or to become due under the contract, and I further certify that no proceedings in bankruptcy are pending to which I am a part.

This form is dated at _____ this _____ day of _____, 20 _____.

Signature of Applicant

Signature of Owner (if different from Applicant)

Telephone

Social Security Number

Witness Name (printed)

Signature of Witness

STATEMENT OF FACTS

This page must be completed and notarized. You may use a 2nd page, if necessary. If a notary cannot be obtained, complete and sign the statement at the bottom.

Printed Applicant Name: _____ Signature: _____

State of: _____ County of: _____

On this _____ day of _____, 2024, before me personally appeared, _____, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires: _____

Notary Public

To be completed if notary cannot be obtained:

I, [Printed Applicant Name] _____ certify under the penalties of perjury that the foregoing is true and correct, pursuant to 28 U.S. Code § 1746.

Executed on: _____ (Date)

Signature: _____