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WALL ST. ROUNDUP

Hartford to pay \$55 million to settle SEC charges

From the Associated Press
November 9, 2006

Hartford Financial Services Group Inc. has agreed to pay \$55 million to settle federal regulators' charges that three subsidiaries failed to disclose their use of mutual fund assets to pay for the marketing of funds and variable annuities.

The Securities and Exchange Commission on Wednesday announced the settlement, which calls for a \$15-million civil fine and restitution of \$40 million in allegedly ill-gotten gains. The three subsidiaries of the Hartford, Conn.-based company also were censured.

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The \$55 million will go to compensate the affected Hartford mutual funds.

The subsidiaries — Hartford Investment Advisors and Hartford Securities Distribution Co. — neither admitted nor denied the SEC's allegations but did agree to refrain from future violations of securities laws.

The SEC said that from 2000 to 2003 the company entered into deals with 61 brokerage firms in which it agreed to pay the brokerages for special marketing and distribution benefits, known as "shelf space," for its financial products.

The company said in the mutual funds' prospectuses that it used its own assets — not the shareholders' — to pay for shelf space, when in fact it had funneled \$51 million of the funds' assets to brokerages in the form of commissions, the SEC said.

The Hartford subsidiaries also failed to disclose that practice to the funds' boards of directors, the agency said.

"Our action today sends a strong message about the importance of providing proper disclosure to fund boards and fund investors," SEC Enforcement Director Linda Thomsen said in a statement.

Variable annuities are contracts combining life insurance and mutual funds that allow savings to build up tax-deferred.

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